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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

C Name of organization
Borgess Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1521 Gull Road

City or town, state or country, and ZIP + 4
Kalamazoo, MI 49048

D Employer identification number
38-1360526

E Telephone number
(269) 226-8301

G Gross receipts $ 470,080,467

F Name and address of principal officer
Paul A Spaude
1521 Gull Road
Kalamazoo, MI 49048

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ www borgess com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1927 | **M** State of legal domicile MI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provide inpatient & outpatient routine & ancillary care to the community

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	13
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	3,368
6	Total number of volunteers (estimate if necessary)	**6**	324
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	3,972,134
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	0	0
	9 Program service revenue (Part VIII, line 2g)	435,817,231	435,800,013
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	11,196,602	4,922,582
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	27,618,577	29,314,025
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	474,632,410	470,036,620
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	310,520	263,902
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	179,349,079	174,185,101
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	287,812,409	271,059,531
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	467,472,008	445,508,534
	19 Revenue less expenses Subtract line 18 from line 12	7,160,402	24,528,086

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	366,602,313	391,835,591
	21 Total liabilities (Part X, line 26)	268,634,717	297,295,694
	22 Net assets or fund balances Subtract line 21 from line 20	97,967,596	94,539,897

Part II Signature Block

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

Sign Here

▶ Signature of officer — 2013-05-14 Date

▶ Richard Felbinger CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ Matthew A Montgomery	Date	Check if self-employed ▶☐	Preparer's taxpayer identification number (see instructions) P00492843
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ Deloitte Tax LLP 250 East Fifth Street Suite 1900 Cincinnati, OH 45202			EIN ▶ 86-1065772 Phone no ▶ (513) 784-7100

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Borgess Medical Center provides necessary and vital health care services to an area which includes all of S W Michigan This care is given regardless of any individuals' race, color, religion, gender, age, national origin or ability to pay Borgess Medical Center is committed to cooperating with patients and families in providing holistic treatment by integrating within the healing process the physical, emotional and spiritual needs of each patient Services include inpatient routine, inpatient and outpatient ancillary care in support of our stated mission

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 395,979,366 including grants of $ 263,902) (Revenue $ 460,005,748)

In furtherance of its mission, Borgess Medical Center provides quality medical services regardless of race, creed, sex, national origin, handicap or ability to pay Additionally, the Medical Center participates in state and federal programs designed for the indigent and elderly where reimbursements are less than cost These estimates do not include community health promotions and outreach programs performed to assist those in need and provided without charge (See Schedule O for the Community Benefit Report)

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** ▶ $ 395,979,366

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		No
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, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
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		No
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? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		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? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		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? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

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

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	331		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	3,368			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**	0			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
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	14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	13		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

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 ▶

Jeff Simpson
1541 Gull Road
Kalamazoo, MI 49048
(269) 226-7000

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) Larry D Lueth Chair	1 00	X						0	0	0
(2) Daniel E Stewart MD Vice Chair	1 00	X						0	0	0
(3) Joni L Knapper Secretary	1 00	X						0	0	0
(4) Susan Pozo PhD Treasurer	1 00	X						0	0	0
(5) Sanjay Dalal MD Trustee	1 00	X						0	0	0
(6) Gary Druskovich MD Trustee	1 00	X						0	0	0
(7) Mary Ellen Gondeck CSJ Trustee	1 00	X						0	0	0
(8) Doyle A Hayes Trustee	1 00	X						0	0	0
(9) Kevin Holleman MD Trustee	1 00	X						0	0	0
(10) Albert Little Trustee	1 00	X						0	0	0
(11) James McLaren MD Trustee	1 00	X						0	0	0
(12) William M Harrison Trustee	1 00	X						0	0	0
(13) James F Hettinger Trustee	1 00	X						0	0	0
(14) Paul A Spaude Sch O CEO	40 00	X		X				879,978	0	89,658
(15) Richard Felbinger Sch O CFO	40 00			X				366,309	0	125,597
(16) J Patrick Dyson Sch O Executive VP	40 00				X			607,045	0	113,018
(17) Shahin Motakef Executive VP and COO (end 9/11)	40 00				X			289,572	0	36,749

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Joy Strand Sch O COO - LMH	40 00				X			172,784	0	78,038
(19) Anthony F Olivia Sch O CMO (start 11/2011)	40 00				X			349,588	0	11,598
(20) David Martin MD Physician	40 00					X		882,457	0	24,827
(21) William Lapenna MD Physician	40 00					X		873,619	0	24,827
(22) Vishal Gupta MD Physician	40 00					X		861,324	0	18,632
(23) Thomas Ryan MD Physician	40 00					X		866,110	0	24,827
(24) Stephen Peck MD Physician	40 00					X		858,482	0	18,851

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	7,007,268	0	566,622

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 234

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**		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? *If "Yes," complete Schedule J for such individual*	**4**	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	**5**		No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Southwest Michigan Imaging LLC 1700 Gull Road Kalamazoo, MI 49048	Imaging Services	12,104,920
LHRET Ascension SW Michigan LLC 6004 Payshere Circle Chicago, IL 60674	Software Services	6,295,913
Trimedx LLC 15091 Bake Parkway Irvine, CA 92618	Medical Equipment	4,649,463
Premier Radiology 1535 Gull Road Kalamazoo, MI 49048	Radiology Services	3,562,359
CCS-PA LLC 31330 Schoolcraft Rd Livonia, MI 48150	Consulting	1,472,458

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 ▶ 237

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				
	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					
			Business Code				
Program Service Revenue	2a	Net Patient Services	621990	420,087,168	420,087,168		
	b	Pharmacy	621990	10,515,539	10,515,539		
	c	Joint Ventures Income	900099	3,144,233	2,770,618	373,615	
	d	Reference Lab	541380	1,169,534	1,014,989	154,545	
	e	Affiliated Rental Inc	532000	883,539	883,539		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		435,800,013			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		4,672,690			4,672,690
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real / (ii) Personal				
	6a	Gross rents	1,179,895				
	b	Less rental expenses	43,739				
	c	Rental income or (loss)	1,136,156				
	d	Net rental income or (loss)		1,136,156			1,136,156
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	250,000				
	b	Less cost or other basis and sales expenses	108				
	c	Gain or (loss)	249,892				
	d	Net gain or (loss)		249,892			249,892
	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	Affiliate Income	621990	11,482,172	11,482,172		
	b	Laundry Revenue	812300	5,103,786	1,659,812	3,443,974	
	c	Research Dept Revenue	541700	1,222,364	1,222,364		
	d	All other revenue		10,369,547	10,369,547		
	e	**Total.** Add lines 11a–11d		28,177,869			
	12	**Total revenue.** See Instructions		470,036,620	460,005,748	3,972,134	6,058,738

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	263,902	263,902		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	2,075,366	830,146	1,245,220	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	134,964,883	121,468,395	13,496,488	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	10,348,914	9,314,023	1,034,891	
9	Other employee benefits	16,695,312	15,025,781	1,669,531	
10	Payroll taxes	10,100,626	10,100,626		
11	Fees for services (non-employees)				
a	Management	17,636,106	17,636,106		
b	Legal	1,370,882		1,370,882	
c	Accounting	305,321		305,321	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees	569,242		569,242	
g	Other				
12	Advertising and promotion	1,570,183	1,570,183		
13	Office expenses	3,072,622	2,765,360	307,262	
14	Information technology				
15	Royalties . .				
16	Occupancy	18,961,547	17,065,392	1,896,155	
17	Travel	618,701	556,831	61,870	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	6,219,329		6,219,329	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	16,477,047	14,829,342	1,647,705	
23	Insurance	2,147,776	1,932,998	214,778	
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	Contract Services	104,188,710	93,769,839	10,418,871	0
b	Supplies	68,269,494	61,442,545	6,826,949	0
c	Physician Fees	7,205,829	7,205,829	0	0
d	Corporate Allocations	3,303,771	2,973,394	330,377	0
e					
f	All other expenses	19,142,971	17,228,674	1,914,297	
25	**Total functional expenses.** Add lines 1 through 24f	445,508,534	395,979,366	49,529,168	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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		32,143,336	1	17,598,994
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		54,970,320	4	58,118,381
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		6,927,517	8	7,180,960
	9	Prepaid expenses and deferred charges		2,545,203	9	2,572,266
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 481,588,371			
	b	Less accumulated depreciation	10b 337,445,450	141,909,502	10c	144,142,921
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		326,882	12	327,968
	13	Investments—program-related See Part IV, line 11		12,302,592	13	13,771,686
	14	Intangible assets		1,945,752	14	1,624,000
	15	Other assets See Part IV, line 11		113,531,209	15	146,498,415
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		366,602,313	16	391,835,591
Liabilities	17	Accounts payable and accrued expenses		36,295,321	17	43,009,451
	18	Grants payable			18	
	19	Deferred revenue		2,220,711	19	1,525,212
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		230,118,685	25	252,761,031
	26	**Total liabilities.** Add lines 17 through 25		268,634,717	26	297,295,694
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		97,640,713	27	94,211,928
	28	Temporarily restricted net assets		326,883	28	327,969
	29	Permanently restricted net assets			29	0
		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		97,967,596	33	94,539,897
	34	Total liabilities and net assets/fund balances		366,602,313	34	391,835,591

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	470,036,620
2	Total expenses (must equal Part IX, column (A), line 25)	2	445,508,534
3	Revenue less expenses Subtract line 2 from line 1	3	24,528,086
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	97,967,596
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-27,955,785
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	94,539,897

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Borgess Medical Center	38-1360526

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		4,894
j	Total lines 1c through 1i			4,894
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Lobbying expenses represent the portion of dues paid to national and state hospital associations that is specifically allocable to lobbying Borgess Medical Center does not participate in or intervene in (including the publishing or distributing or statements) any political campaign on behalf of (or in opposition to) any candidate for public office

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
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		4,089,957		4,089,957
b Buildings		237,629,238	132,683,128	104,946,110
c Leasehold improvements		1,454,847	1,271,670	183,177
d Equipment		231,925,983	200,668,489	31,257,494
e Other		6,488,346	2,822,163	3,666,183
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				144,142,921

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

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

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

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

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

(a) Description	(b) Book value
(1) Interest in investments held by Ascension Health Alliance	96,584,325
(2) Intercompany Receivables	17,991,311
(3) Deferred Compenation Annuities	16,353,149
(4) Third Party Settlements	10,022,079
(5) Other Receivables	4,080,959
(6) Other Assets	1,466,592
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	146,498,415

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Intercompany Debt with Ascension Health Alliance	167,314,232
Pension Payable	47,491,832
Deferred Compensation	16,353,149
Third Party Settlements	10,595,057
Other Liabilities	9,657,250
Self Insurance Liabiltiy	1,349,511
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	252,761,031

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

Part I Charity Care and Certain Other Community Benefits at Cost

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

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			9,382,897		9,382,897	2 170 %
b Medicaid (from Worksheet 3, column a)			47,742,173	31,379,867	16,362,306	3 780 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						0 %
d **Total** Charity Care and Means-Tested Government Programs			57,125,070	31,379,867	25,745,203	5 950 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			399,997		399,997	0 090 %
f Health professions education (from Worksheet 5)			7,111,786		7,111,786	1 640 %
g Subsidized health services (from Worksheet 6)						0 %
h Research (from Worksheet 7)			1,071,536		1,071,536	0 250 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			733,743		733,743	0 170 %
j **Total** Other Benefits			9,317,062		9,317,062	2 150 %
k **Total.** Add lines 7d and 7j			66,442,132	31,379,867	35,062,265	8 100 %

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

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense	2	12,466,873		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	3,823,811		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	209,243,876		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	205,290,617		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	3,953,259		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 2

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Borgess Medical Center 1521 Gull Road Kalamazoo, MI 49048	X	X		X		X	X		
2	Borgess PIPP Hospital 411 Naomi Street Plainwell, MI 49080							X		Long-Term Acute Care

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)

Name of Hospital Facility: Borgess Medical Center

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 350 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

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

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

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)

Borgess PIPP Hospital

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 350 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

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

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

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

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

	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 7 The cost of providing charity care, means tested government programs, and community benefit programs is estimated using internal cost data, and is calculated in compliance with Catholic Health Association ("CHA") guidelines The organization uses a cost accounting system that addresses all patient segments (for example, inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured, or self pay) The best available data was used to calculate the amounts reported in the table For the information in the table, a cost-to-charge ratio were calculated and applied

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The amount of bad debt expense reported on Form 990, Part IX, Line 25, column (A), but subtracted for purposes of calculating the percentages in Part I, Line 7, column (f) is $13,038,577

Identifier	ReturnReference	Explanation
		Part II We have a Community Benefit Advisory Committee that includes community leaders from health and human service organizations, the Borgess Health Board of Trustees and leadership that discusses and collaborates on community building activities Borgess Health is positioned through its membership on 58 local regional and state health, economic and community service boards and advisory committees to help shape the discussion on health issues in the communities we serve To that end, Borgess has representation on the Boards and/or advisory committees of Southwest Michigan First, Western Michigan University (WMU) School of Medicine, Kalamazoo Valley Community College and WMU Schools of Nursing, Greater Kalamazoo United Way, Blue Cross/ Blue Shield and Priority Health to name a few Our participation on the Family Health Center (our local FQHC), Kalamazoo County Health Plan and financial support of Michigan State University/Kalamazoo Center for Medical Studies residency program and the Southwest Michigan Cancer Center insure access to care for vulnerable patients

Identifier	ReturnReference	Explanation
		Part III, Line 4 The provision for bad debt expense is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, Borgess follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health Accounts receivable are written off after collection efforts have been followed in accordance with Borgess' policies

Identifier	ReturnReference	Explanation
		Part III, Line 8 Ascension Health and related health ministries follow the Catholic Health Association ("CHA") guidelines for determining community benefit CHA community benefit reporting guidelines suggest that Medicare shortfall is not treated as community benefit

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Borgess reviews numerous reports and statistics, including epidemiological reports published by the Kalamazoo County Health and Human Services Department, admission and emergency room data to determine where the specific needs of the community are and where we can focus our efforts to offer assistance

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Information regarding financial assistance is posted in the admitting, and registration departments in addition to the emergency department Borgess has staff dedicated to assisting uninsured patients complete a means test and complete applications for public assistance Patients are provided with contact numbers on their medical bills to contact the billing office if assistance is needed to pay their bill We leave it up to the patient to contact us then we direct them through the Charity Care process or applying for other government assistance programs

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Kalamazoo is a two-hospital market with the consumers believing that there are two very good, equal healthcare facilities However, because it's a newer facility with all private rooms, Bronson's reputation is partially based on facility amenities Many consumers choose a hospital based on specific service needs and/or physician recommendations and preferences Outside of Kalamazoo, the Borgess Health service area includes several small rural hospitals and two secondary service level hospitals The population in the service area is expected to decline due to a decline in the following age cohorts 0-17, 18-44, and 45-64 However, the population 65+ is expected to increase by 10 7%, creating a demand for restorative and chronic health services There are 450,000 residents in the Kalamazoo Metropolitan Statistical Area The median income for the area is $49,968 and 15 9% of the population have income at or below the poverty level

Identifier	ReturnReference	Explanation
		Part VI, Line 5 Borgess provides a number of services to the community at no or a very low cost to the general community and to uninsured patients in our comprehensive Diabetes Uninsured Clinic, Wellness Project offered to adults in Allegan County, pharmaceutical assistance program, and in-home nursing programs We also provide health screenings e g , colorectal, immunizations, mammograms and school physicals Borgess has a history steeped in the tradition of serving the poor and underserved Borgess leadership including the Board of Trustees are educated on the organization's mission and values and challenge themselves on how to serve the poor and underserved members of our community

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Borgess Medical Center is a wholly owned subsidiary of Borgess Health Alliance, Inc , which is a member of Ascension Health Ascension Health Alliance is the sole corporate member and parentorganization of Ascension Health, a Catholic national health systemconsisting primarily of nonprofit corporations that own and operate localhealthcare facilities, or Health Ministries, located in 21 of the UnitedStates and the District of Columbia The Medical Center, located in Kalamazoo, Michigan, is a nonprofit acute care hospital The Medical Center provides inpatient, outpatient, and emergency care services for the residents of Kalamazoo, Michigan Admitting physicians are primarily practitioners in the local area The Medical Center is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of Ascension Health and its sponsored organizations are related to providing health care services Sponsorship Ascension Health Alliance is sponsored by Ascension Health Ministries, aPublic Juridic Person The Participating Entities of Ascension HealthMinistries are the Daughters of Charity of St Vincent de Paul in theUnited States, St Louise Province, the Congregation of St Joseph, theCongregation of the Sisters of St Joseph of Carondelet, and theCongregation of Alexian Brothers of the Immaculate Conception Province -American Province As more fully described in the Organizational Changesnote, Alexian Brothers Health System, which was previously sponsored bythe Congregation of Alexian Brothers of the Immaculate Conception Province- American Province, became part of Ascension Health on January 1, 2012 Mission The System directs its governance and management activities toward strong,vibrant, Catholic Health Ministries united in service and healing, anddedicates its resources to spiritually centered care which sustains andimproves the health of the individuals and communities it serves Inaccordance with the System's mission of service to those persons living inpoverty and other vulnerable persons, each Health Ministry acceptspatients regardless of their ability to pay The System uses fourcategories to identify the resources utilized for the care of personsliving in poverty and community benefit programs - Traditional charity care includes the cost of services provided topersons who cannot afford health care because of inadequate resourcesand/or who are uninsured or underinsured - Unpaid cost of public programs, excluding Medicare, represents theunpaid cost of services provided to persons covered by public programs forthe persons living in poverty and other vulnerable persons - Cost of other programs for persons living in poverty and othervulnerable persons includes unreimbursed costs of programs intentionallydesigned to serve the persons living in poverty and other vulnerablepersons of the community, including substance abusers, the homeless,victims of child abuse, and persons with acquired immune deficiencysyndrome - Community benefit consists of the unreimbursed costs of communitybenefit programs and services for the general community, not solely forthe poor, including health promotion and education, health clinics andscreenings, and medical research Discounts are provided to all uninsured patients, including those with themeans to pay Discounts provided to those patients who did not qualify forassistance under charity care guidelines are not included in the cost ofproviding care of persons who are poor and community benefit programs Thecost of providing care of persons who are poor and community benefitprograms is estimated using internal cost data

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Southwest Michigan First Corporation3940 Peninsular Drive SE 180 Grand Rapids, MI 49007	38-2853785	Section 501(c)(3)	103,500				General Support
(2) Greater Kalamazoo United Way709 South Westnedge Kalamazoo, MI 49007	38-1359193	Section 501(c)(3)	95,000				General Support
(3) Hospital Hospitality House of Kalamazoo Inc527 W South Street Kalamazoo, MI 49007	38-2540700	Section 501(c)(3)	29,000				General Support
(4) Kalamazoo Regional Chamber of Commerce346 West Michigan Kalamazoo, MI 49007	38-0703370	Section 501(c)(3)	5,720				General Support

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

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

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

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

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 If grant is for a specific event we usually have a representative attend the function If it is for non-function activities we usually receive a letter detailing our contribution and what it was used for

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Paul A Spaude Sch O	(i)	483,491	285,103	111,384	72,877	16,781	969,636	0
	(ii)	0	0	0	0	0	0	0
(2) Richard Felbinger Sch O	(i)	289,969	42,763	33,577	99,397	26,200	491,906	0
	(ii)	0	0	0	0	0	0	0
(3) J Patrick Dyson Sch O	(i)	337,459	239,652	29,934	99,835	13,183	720,063	0
	(ii)	0	0	0	0	0	0	0
(4) Shahin Motakef	(i)	217,999	46,027	25,546	22,386	14,363	326,321	0
	(ii)	0	0	0	0	0	0	0
(5) Joy Strand Sch O	(i)	170,425	0	2,359	50,916	27,122	250,822	0
	(ii)	0	0	0	0	0	0	0
(6) Anthony F Olivia Sch O	(i)	272,825	45,000	31,763	0	11,598	361,186	0
	(ii)	0	0	0	0	0	0	0
(7) David Martin MD	(i)	830,571	47,500	4,386	0	24,827	907,284	0
	(ii)	0	0	0	0	0	0	0
(8) William Lapenna MD	(i)	535,545	334,225	3,849	0	24,827	898,446	0
	(ii)	0	0	0	0	0	0	0
(9) Vishal Gupta MD	(i)	528,198	314,790	18,336	0	18,632	879,956	0
	(ii)	0	0	0	0	0	0	0
(10) Thomas Ryan MD	(i)	629,972	207,851	28,287	0	24,827	890,937	0
	(ii)	0	0	0	0	0	0	0
(11) Stephen Peck MD	(i)	496,138	356,800	5,544	0	18,851	877,333	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	An officer is allowed to bring a companion on two travel occasions that the company will pay for and include the cost of that travel in the officer's W-2 A social club fee of $10 is paid to an officer and it is included in the officer's W-2
	Part I, Line 4b	Eligible executives participate in a program that provides for supplemental retirement benefits The payment of benefits under the program, if any, is entirely dependent upon the facts and circumstances under which the executive terminates employment with the organization Benefits under the program are unfunded and non-vested Due to the substantial risk of forfeiture provision, there is no guarantee that these executives will ever receive any benefit under the program Any amount ultimately paid under the program to the executives is reported as compensation on Form 990, Schedule J, Part II, Column B in the year paid Neither contributions to nor distributions from the supplemental nonqualified retirement plan were made in the current year
	Part I, Line 6	An incentive bonus was paid based on the company hitting our net Income budget target for Borgess Health

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Borgess Medical Center has a single corporate member, Borgess Health Alliance, Inc

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	Borgess Medical Center has a single corporate member, Borgess Health Alliance, Inc , who has the ability to elect members to the governing body of the Borgess Medical Center

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	All decisions that have a material impact to Borgess Medical Center financial information or corporation as a whole are subject to approval by its sole corporate member, Borgess Health Alliance, Inc

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	Management, including certain officers, works diligently to complete the Form 990 and attached schedules in a thorough manner Prior to filing the return, all Board Members are provided the Form 990 and management team members are available to answer any Board Members questions

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors and enforces compliance with the conflict of interest policy in that any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of the committees with governing board delegated powers considering the proposed transaction or arrangement The remaining individuals on the governing board or committee meeting will decide if conflicts of interest exist Each director, principal officer and member of a committee with governing board delegated powers annually signs a statement which affirms such person has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands that the organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish its tax-exempt purpose

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	In determining compensation of the organization's CEO, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The executive/compensation committee reviewed and approved the compensation In the review of the compensation, the CEO was compared to individuals at other hospitals in the area who hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the executive committee minutes The individual was not present when his compensation was decided In determining compensation of other officers or key employees of the organization, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The executive/compensation committee reviewed and approved the compensation In the review of the compensation, the other officers or key employees of the organization were compared to individuals at other organizations' employees in the area who hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the executive committee minutes

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	The organization will provide any documents open to public inspection upon request

Identifier	Return Reference	Explanation
Explanation of Hours for Officers and Key Employees	Form 990, Part VII	Officers and Key Employees of Borgess Medical Center provide services to Borgess Health Alliance, Inc and its subsidiaries Hours worked are not tracked on an entity by entity basis Therefore, where noted with a "(Sch O)" reference, officers' and key employees' hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees represent aggregate hours worked per week for all entities

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -6,344,172 Book/Tax Difference on Sale of Buildings 853,572 Transfer to Ascension Health -469,453 Deferred Pension Costs -19,776,708 Transfers to Affiliates -2,219,024 Restricted Donations used for Capital 2,175,029 Book/Tax difference on Restricted Contributions -2,175,029 Total to Form 990, Part XI, Line 5 -27,955,785

Identifier	Return Reference	Explanation
Community Benefit Report	Form 990, Part III, Line 4	This report illustrates the significant degree to which Borgess Medical Center contributes to the positive health status of the communities it serves As a member of Ascension Health, the nation's largest Catholic healthcare system, Borges Medical Center continues to build and strengthen sustainable collaborative efforts that benefit the health of individuals, families, and society as a whole The goal of Borgess Medical Center is to perpetuate the healing mission of the church Borgess Medical Center furthers this goal through delivery of patient services, care to the elderly and indigent, patient education and health awareness programs for the community, and medical research Our concern for all human life and dignity of each person leads the organization to provide medical services to all people in the community without regard to the patient's race, creed, national origin, economic status, or ability to pay Borgess Medical Center has engaged in the following activities to ensure that our mission is accomplished Unreimbursed Services Provided to the Elderly and the Poor Borgess Medical Center provides a substantial portion of its services to the elderly and poor During the fiscal year ending June 30, 2012, approximately 50 1% of the value of services rendered were to elderly patients under the Medicare program, and approximately 12 9% of the services were provided to patients who were deemed indigent under state , county, or Medical Center Guidelines In the spirit of principles adopted by Ascension Health, Borgess Medical Center has taken proactive steps to address those issues that will affect accessibility, the financing, and the delivery of healthcare to all persons, especially the uninsured, underinsured, and the underserved During the fiscal year ending June 30, 2012 the estimated unreimbursed cost of services provided to the elderly, uninsured, and underinsured totaled $35 1 million Patient Services In addition to offering nationally recognized, cardiac, neuro and orthopedic care, Borgess Medical Center serves southern Michigan and the greater Kalamazoo region with more than 40 inpatient and outpatient specialties -- including emergency and trauma, heart health, advanced cancer care, vascular services and women's health -- provided by a medical staff of more than 500 physicians The following represent some of the services provided -Behavioral Medicine -Birthing Center -Breast Care Centers -Cancer Care -Cardiac Services (Heart Care) -Clinical Trials (Research) - CorpFit (Occupational Health) -Diabetes Education -Emergency Services -Fitness -Health Promotion (For Instructor Use) -Home Health Care & Hospice -Integrative Medicine -Laboratory Services -Level I Trauma Center -Neuro Sciences (Head, neck and spine) -Nutritional Counseling -Orthopedic Services / Joint Replacement Center -Osteoporosis Centers -Radiology Services -Rehabilitation Services -Sleep Disorders Center -Surgical Services -Vascular Services -West Michigan Spine -Women's Health Some services operate at a loss in order to ensure that all services are available to meet community health care needs Some of the larger examples include Obstetrics, Neonatal, Behavioral, and General Medicine During the fiscal year ending June 30, 2012, our Medical Center treated adults and children in the community for a total of 90,666 patient days of service The Medical Center also provided services for 554,282 outpatient visits, including 6,312 outpatient surgeries, and 65,971 emergency and minor care visits Community Outreach activities Borgess Medical Center seeks to improve the physical, mental, social and spiritual health status of its surrounding community In addition to providing health care services to all individuals who require medical attention, Borgess Medical Center has developed the following programs to help achieve its mission Expanding Awareness, Education, and Health Promotion Borgess Medical Center believes that it is essential to educate people regarding the types of behavior that improve their chances of living a healthy life Borgess Medical Center has invested significantly in unique, top quality health education and materials to accomplish its goals Below are some of the topics of program offerings to the community -Cardiac Rehabilitation -Loss and Bereavement -Healthy Heart Education -Food Preparation for Cardiac Patients -Hip and Knee Pain - Joint Replacement Pre-op Education -Diabetes Education -Family and Sibling Education -Cardio Pulmonary Seminars -Lamaze -Lamaze for Spanish speaking population -Birth Education -Better Breathers Club -Breast Education -End of Life Issues Borgess Medical Center provides the following information on its website 1 Listings of Health and Wellness classes, including a description of the class, cost, and location 2 Drug Reference information on thousands of Brand and Generic drugs 3 Adult and Pediatric Disease and Condition Index, that provides information on various disease processe

Identifier	Return Reference	Explanation
Community Benefit Report	Form 990, Part III, Line 4	s and health conditions for adults and children While our health ministry does not have f ormal public health clinic, it does provide a variety of specialized clinics at various si tes in the community independently and in conjunction w ith other organizations These incl ude -Public Flu Clinic -Diabetes Screenings -Congestive Heart failure -Fitness and Exerci se -Cholesterol -Stroke -Cardiac Health -Wellness Clinics offered by Parish Nurse Program -Blood Pressure Screenings -Prevention and Safety Health Fairs offered by Visiting Nurse a nd Hospice Program -Senior Wellness Program -Joint community health fairs 1 African Amer ican Health Fair 2 Cover the Uninsured Week health screenings 3 Senior Expo 4 Women's F estival 5 Kalamazoo County Health Fair In fulfillment of its corporate responsibility to address compelling community and social needs through philanthropy, Borgess Medical Center has established a policy to direct monetary contributions to not-for-profit organizations that w ork to improve the quality of life in its service area Priority is given to those organizations w hose mission is most closely aligned w ith the mission and values of Borgess Borgess played a leadership role in the establishment of the Kalamazoo County Health Pla n, w hose mission is to improve coverage and access for the uninsured in Kalamazoo County Additionally Borgess executive staff sit on a number of governance Boards of non-profit or ganizations in our community that serve disfranchised groups, such as the American Red Cro ss, Greater Kalamazoo United Way, Family Health Center and Ministry w ith Community to name a few Borgess also has representation on public and private organizations including the Kalamazoo Chamber of Commerce and the Kalamazoo Valley Community College Foundation Medic al Research Borgess Medical Center furthers its mission by contributing funds and personne l to support research that has helped advance medical care Borgess Research Institute con ducts sponsored clinical device and drug trials in the follow ing areas -Cardiovascular Re search high cholesterol, high blood pressure, heart failure, acute myocardial infaction, patients w ith acute coronary syndrome undergoing coronary stent placement, carotid stentin g, and coronary artery bypass graphs -Neuroscience Research Parkinson's Disease, Alzheim er's Disease, Back pain, Spine Surgery, Mild Cognitive Impairment, Peripheral Neuropathy, Migraines, Sleep Disorders, Acute Stroke, Stroke Prevention and Insonomia -Acute Care and Trauma Research Sepsis, Acute Respitory Distress Syndrome, and Pneumonia -Other Erosiv e Gerd, Chron's Disease, and Infectious Disease - Basic and Molecular Science research is conducted in trauma research looking at ischemia and reperfusion animal models Cardiovasc ular basic science research is also conducted at Borgess Borgess Medical Center utilizes its w ebsite to recruit patients for clinical trials Furthermore, advertising is done on C enterw atch and other research recruiting w ebsites Medical Education Borgess Medical Cente r believes that, in order to provide the best health care to the community, its clinical p ersonnel must receive ongoing medical education Classes, seminars, and materials are prov ided to medical residents and staff Additionally, symposiums such as for Cardiac and Neur ology are offered

Identifier	Return Reference	Explanation
		Summary Borgess Medical Center furthers its charitable purposes by providing a broad array of services to meet the healthcare needs of patients and organizations in the community We provide essential medical services to the community, train and recruit healthcare professionals to serve the needs of the broader community, provide appropriate charity services to those patients who are not able to pay for their own healthcare needs, provide services to other organizations that allow them to provide quality services to their patients or constituents, and present education information classes and activities to the community in order to improve its overall health status

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Borgess Medical Center

Employer identification number
38-1360526

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
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? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Textile Systems Inc 817 Walbridge Kalamazoo, MI 49007 38-2705047	Laundry Services	MI	Borgess Medical Center	C	-53,749	963,506	100 000 %

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

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

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

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

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

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

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

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 38-1360526
Name: Borgess Medical Center

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	
Ascension Health PO Box 45998 St Louis, MO 63134 31-1662309	National Health System	MO	Section 501(c)(3)	Schedule A, Line 11a	Ascension Health Alliance		No
Borgess Health Alliance Inc 1521 Gull Road Kalamazoo, MI 49048 38-2335286	Health System Parent	MI	Section 501(c)(3)	Schedule A, Line 11c	Ascension Health		No
Borgess Ambulatory Care Corporation 1521 Gull Road Kalamazoo, MI 49048 38-2468823	Holding Company	MI	Section 501(c)(3)	Schedule A, Line 3	Borgess Health Alliance Inc	Yes	
Borgess Foundation 1521 Gull Road Kalamazoo, MI 49048 23-7222558	Fundraising	MI	Section 501(c)(3)	Schedule A, Line 11c	Borgess Health Alliance Inc	Yes	
Borgess Nursing Home 3057 Gull Road Kalamazoo, MI 490481281 38-2555589	Residential Care	MI	Section 501(c)(3)	Schedule A, Line 3	Borgess Health Alliance Inc	Yes	
Lee Memorial Hospital Corporation 420 West High Street Dowagiac, MI 49047 38-1490190	Healthcare Services	MI	Section 501(c)(3)	Schedule A, Line 3	Borgess Health Alliance Inc	Yes	
Lee Memorial Foundation 420 West High Street Dowagiac, MI 49047 38-2860459	Fundraising	MI	Section 501(c)(3)	Schedule A, Line 11c	Borgess Health Alliance Inc	Yes	
ProMed Healthcare 1521 Gull Road Kalamazoo, MI 49048 38-3193801	Healthcare Services	MI	Section 501(c)(3)	Schedule A, Line 9	Borgess Health Alliance Inc	Yes	
Visiting Nurse & Hospice Services of SW MI 348 North Burdick Kalamazoo, MI 49007 38-1359216	Home Nursing and Rehabilitation Services	MI	Section 501(c)(3)	Schedule A, Line 9	Borgess Health Alliance Inc	Yes	
Visiting Nurses Home Care DBA Borgess VNA Home Care 348 North Burdick Kalamazoo, MI 49007 38-2717691	Home Healthcare Services	MI	Section 501(c)(3)	Schedule A, Line 9	Borgess Health Alliance Inc	Yes	

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Borgess Ambulatory Care Corporation	P	31,108,962	FMV
(2)	Borgess Ambulatory Care Corporation	O	30,953,290	FMV
(3)	Borgess Foundation	P	2,175,029	FMV
(4)	Borgess Health Alliance Inc	O	2,231,038	FMV
(5)	Borgess Health Alliance Inc	R	3,901,213	FMV
(6)	Borgess Health Alliance Inc	B	1,670,175	FMV
(7)	Borgess Nursing Home	R	1,361,545	FMV
(8)	Borgess Nursing Home	P	1,380,207	FMV
(9)	Ascension Health	Q	4,295,511	FMV
(10)	Visiting Nurses & Hospice Services of SW MI	P	3,480,183	FMV
(11)	Lee Memorial Hospital Corporation	R	10,693,900	FMV
(12)	Lee Memorial Hospital Corporation	O	13,456,289	FMV

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Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2011

Attachment Sequence No **179**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**
Borgess Medical Center	Form 990 Page 10	38-1360526

Part I **Election To Expense Certain Property Under Section 179**

Note: *If you have any listed property, complete Part V before you complete Part I.*

1 Maximum amount (see instructions)	**1**	500,000
2 Total cost of section 179 property placed in service (see instructions)	**2**	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	**3**	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	**4**	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	**5**	

6	**(a)** Description of property	**(b)** Cost (business use only)	**(c)** Elected cost

7 Listed property Enter the amount from line 29	**7**		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	**8**		
9 Tentative deduction Enter the **smaller** of line 5 or line 8	**9**		
10 Carryover of disallowed deduction from line 13 of your 2010 Form 4562	**10**		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	**11**		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	**12**		
13 Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12 ▶	**13**		

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property **)** (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	**14**	
15 Property subject to section 168(f)(1) election	**15**	
16 Other depreciation (including ACRS)	**16**	

Part III **MACRS Depreciation (Do not** include listed property.**)** (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2011	**17**	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

	(a) Classification of property	**(b)** Month and year placed in service	**(c)** Basis for depreciation (business/investment use only—see instructions)	**(d)** Recovery period	**(e)** Convention	**(f)** Method	**(g)** Depreciation deduction
19a	3-year property						
b	5-year property						
c	7-year property						
d	10-year property						
e	15-year property						
f	20-year property						
g	25-year property			25 yrs		S/L	
h	Residential rental property			27 5 yrs	MM	S/L	
				27 5 yrs	MM	S/L	
i	Nonresidential real property			39 yrs	MM	S/L	
					MM	S/L	

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs		S/L	
c	40-year		40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	**21**	
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	**22**	166,113
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	**23**	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete* ***only*** *24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? ☐ **Yes** ☐ **No** | **24b** If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						**25**		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						**28**		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1						**29**		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI **Amortization**

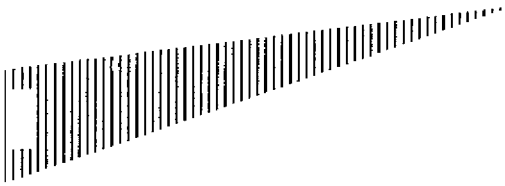
(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions)					
43 Amortization of costs that began before your 2011 tax year				**43**	
44 Total. Add amounts in column (f) See the instructions for where to report				**44**	

Borgess Health

Consolidated Financial Statements

Years Ended June 30, 2012 and 2011

Contents



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Report of Independent Auditors

The Board of Trustees
Borgess Health

We have audited the accompanying consolidated balance sheets of Borgess Health (Borgess) as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the year ended June 30, 2012. These financial statements are the responsibility of Borgess' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Borgess Health at June 30, 2012 and 2011, and the consolidated results of its operations and its cash flows for the year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States.

We also have reviewed the accompanying consolidated statement of operation and changes in net assets, and cash flows for the year ended June 30, 2011, in accordance with Standard for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Borgess.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express an opinion.

Based on our review, we are not aware of any material modification that should be made to the accompanying statements of operations and changes in net assets, and cash flows in order for them to be in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

September 13, 2012

	June 30	
	2012	2011
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$ 1,309	$ 1,212
Accounts payable and accrued liabilities	55,233	51,587
Estimated third-party payor settlements	12,083	12,348
Current portion of self-insurance liabilities	1,349	791
Other	725	548
Total current liabilities	70,699	66,486
Noncurrent liabilities:		
Long-term debt	166,006	167,314
Self-insurance liabilities	3,317	3,231
Pension and other postretirement obligations	51,797	25,085
Deferred compensation	16,632	18,105
Other	5,316	4,377
Total noncurrent liabilities	243,068	218,112
Total liabilities	313,767	284,598
Net assets:		
Unrestricted	134,716	143,518
Temporarily restricted	4,846	4,430
Permanently restricted	286	286
Total net assets	139,848	148,234
Total liabilities and net assets	$ 453,615	$ 432,832

See accompanying notes.

Borgess Health

Consolidated Statements of Operations
and Changes in Net Assets
(Dollars in Thousands)

	Year Ended June 30	
	2012	2011
		(unaudited)
Operating revenue:		
Net patient service revenue	$ 542,794	$ 519,816
Other revenue	23,184	22,875
Income from unconsolidated entities	6,431	5,870
Net assets released from restrictions for operations	1,357	1,740
Total operating revenue	573,766	550,301
Operating expenses:		
Salaries and wages	217,811	213,506
Employee benefits	53,724	58,455
Purchased services	61,469	64,135
Professional fees	48,171	46,204
Supplies	73,835	78,493
Insurance	2,822	1,487
Bad debts	16,721	11,133
Interest	6,219	6,703
Depreciation and amortization	17,947	19,370
Other	57,475	54,074
Total operating expenses before impairment, restructuring, and nonrecurring gains (losses), net	556,194	553,560
Income (loss) from operations before impairment, restructuring, and nonrecurring losses, net	17,572	(3,259)
Impairment, restructuring, and nonrecurring losses	962	945
Income (loss) from operations	16,610	(4,204)
Nonoperating (losses) gains:		
Investment return	(1,798)	14,366
Other	(530)	(480)
Total nonoperating (losses) gains, net	(2,328)	13,886
Excess of revenues and gains over expenses and losses	14,282	9,682

Borgess Health

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

	Year Ended June 30	
	2012	**2011**
		(unaudited)
Unrestricted net assets:		
Excess of revenues and gains over expenses and losses	$ **14,282**	$ 9,682
Pension and other postretirement liability adjustments	**(21,149)**	31,426
Transfers to sponsor and other affiliates, net	**(4,296)**	(5,897)
Net assets released from restrictions for property acquisitions	**2,321**	4,250
Other	**40**	(12)
(Decrease) increase in unrestricted net assets before cumulative effect of change in accounting principle	**(8,802)**	39,449
Cumulative effect of change in accounting principle	–	(1,405)
(Decrease) increase in unrestricted net assets	**(8,802)**	38,044
Temporarily restricted net assets:		
Contributions and grants	**4,166**	2,249
Net change in unrealized gains on investments	**(95)**	546
Investment return	**63**	320
Net assets released from restrictions	**(3,678)**	(5,990)
Other	**(40)**	(4)
Increase (decrease) in temporarily restricted net assets	**416**	(2,879)
(Decrease) increase in net assets	**(8,386)**	35,165
Net assets, beginning of year	**148,234**	113,069
Net assets, end of year	$ **139,848**	$ 148,234

See accompanying notes.

Borgess Health

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30	
	2012	2011
		(unaudited)
Operating activities		
(Decrease) increase in net assets	$ (8,386)	$ 35,165
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	18,181	19,604
Provision for bad debts	16,721	11,133
Interest, dividends, and net gains on investments	(1,798)	(14,366)
Pension and other postretirement liability adjustments	21,149	(31,426)
Gain on sale of assets, net	(351)	(23)
Impairment and nonrecurring expenses	962	945
Cumulative effect of changes in accounting principles	–	1,405
Transfers to sponsor and other affiliates, net	4,296	5,897
Restricted contributions, investment return, and other restricted activity	(4,680)	(4,016)
(Increase) decrease in:		
Short-term investments	2,461	2,255
Accounts receivable	(21,914)	(14,199)
Estimated third-party payor settlements	744	1,701
Inventories and other current assets	(289)	3,342
Investments, including interest in investments held by Ascension Health Alliance	(48,777)	5,742
Other assets	3,165	(2,702)
Increase (decrease) in:		
Accounts payable and accrued liabilities	3,095	7,339
Estimated third-party payor settlements	(265)	2,543
Self-insurance liabilities	645	(185)
Other current liabilities	177	(47)
Other noncurrent liabilities	5,028	3,994
Net cash (used in) provided by operating activities	(9,836)	34,101

Borgess Health

Consolidated Statements of Cash Flows (continued)
(Dollars in Thousands)

	Year Ended June 30	
	2012	**2011**
		(unaudited)
Investing activities		
Property and equipment additions, net	$ **(20,045)**	$ (8,496)
Proceeds from sale of property and equipment	**986**	34
Purchases of new operating assets, net of cash acquired	**–**	(2,405)
Capital contribution to unconsolidated entities	**(825)**	(337)
Net cash used in investing activities	**(19,884)**	(11,204)
Financing activities		
Repayment of long-term debt	**(1,211)**	(1,372)
Transfers to sponsors and other affiliates, net	**(4,296)**	(5,897)
Restricted contributions, investment income, and other	**4,031**	3,112
Net cash used in financing activities	**(1,476)**	(4,157)
Net (decrease) increase in cash and cash equivalents	**(31,196)**	18,740
Cash and cash equivalents at beginning of year	**45,095**	26,355
Cash and cash equivalents at end of year	$ **13,899**	$ 45,095

See accompanying notes.

Borgess Health

Notes to Consolidated Financial Statements
(Dollars in Thousands)

June 30, 2012 and 2011
(the year ended June 30, 2011 is unaudited)

1. Organization and Mission

Organizational Structure

Borgess Health (Borgess) is a member of Ascension Health. In December 2011, Ascension Health Alliance became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 21 of the United States and the District of Columbia. In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries. Ascension Health Alliance, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System.

Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person. The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St. Vincent de Paul in the United States, St. Louise Province, the Congregation of St. Joseph, the Congregation of the Sisters of St. Joseph of Carondelet, and the Congregation of Alexian Brothers of the Immaculate Conception Province – American Province.

Borgess, located in Kalamazoo, Michigan, is a nonprofit health system comprising Borgess Medical Center, Lee Memorial Hospital Corporation, Promed Healthcare, Visiting Nurse and Hospice Services of Southwest Michigan, Visiting Nurses Home Care, Borgess Nursing Home, Inc., Borgess Ambulatory Care Corporation, Borgess Foundation, Lee Memorial Foundation, and Textile Systems, Inc. The entities included in the financial statements are nonprofit, tax-exempt entities except Textile Systems, Inc. Borgess provides inpatient, outpatient, and emergency care services for the residents of Southwest Michigan. Admitting physicians are primarily practitioners in the local area. Borgess is related to Ascension Health's other sponsored organizations through common control. Substantially all expenses of Ascension Health are related to providing health care services.

Collective bargaining agreements cover approximately 30% of the workforce at Borgess. The contract expiration dates range from 2013 to 2014.

1. Organization and Mission (continued)

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries, united in service and healing, and dedicates its resources to spiritually centered care that sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The cost of providing care of persons living in poverty and community benefit programs is estimated using internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service (IRS).

2. Significant Accounting Policies (continued)

Borgess' equity in the net income (loss) of unconsolidated entities is recorded in other operating revenue.

Affiliations

Borgess has an Affiliation Agreement in place with Community Health Center of Branch County (Coldwater, MI). This affiliation arrangement was specifically entered into to "establish an affiliation whereby both organizations will work towards the mutual benefit of one another in furtherance of their respective overall objectives of promoting an integrated health care delivery system in South Central and Southwestern Michigan."

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of financial instruments classified as current assets and current liabilities approximates fair value. The fair values of financial instruments classified as other than current assets and current liabilities are disclosed in the Fair Value Measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less.

2. Significant Accounting Policies (continued)

Interest in Investments held by Ascension Health Alliance, Investments, and Investment Return

At June 30, 2011 and prior to April 2012, Borgess held a significant portion of its investments through the Health System Depository (HSD), an investment pool of funds in which the System and a limited number of nonprofit health care providers participated. The HSD investments were managed primarily by external investment managers within established investment guidelines. The value of Borgess' investment in the HSD represented Borgess' pro rata share of the HSD's funds held for participants. At June 30, 2011, Borgess' investment in the HSD was $89,368, reflected in cash and cash equivalents, and assets limited as to use and other long-term investments in the consolidated balance sheets.

During the year ended June 30, 2012, the CHIMCO Alpha Fund, LLC (Alpha Fund) was created to hold primarily all investments previously held through the HSD. Catholic Healthcare Investment Management Company (CHIMCO), a wholly owned subsidiary of Ascension Health Alliance, acts as manager and serves as the principal investment advisor for the Alpha Fund within established investment guidelines, including socially responsible investment guidelines. In April 2012, a significant portion of the HSD's funds held for participants was transferred to the Alpha Fund, in which Ascension Health Alliance has an investment interest, as a member of the Alpha Fund. Ascension Health Alliance invests funds in the Alpha Fund on behalf of Borgess. As of June 30, 2012, Borgess has an interest in investments held by Ascension Health Alliance, which is reflected in the consolidated balance sheet, and represents Borgess' pro rata share of Ascension Health Alliance's investment interest in the Alpha Fund.

Borgess also invests in equity investments that are locally managed. Most of these funds are held in locally managed foundations where Borgess has control over foundation assets.

Borgess reports its interest in investments held by Ascension Health Alliance in the accompanying consolidated balance sheet for June 30, 2012 as a current or long-term asset, based on liquidity needs as directed by Borgess. Borgess reports its other investments, including foundation investments, in the accompanying balance sheets based upon the long- or short-term nature of the investments and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of Borgess.

2. Significant Accounting Policies (continued)

Borgess' investments, excluding its interest in investments held by Ascension Health Alliance, are measured at fair value and are classified as trading securities. The Alpha Fund's and the HSD's investments, which are required to be recorded at fair value, are classified as trading securities and include pooled short-term investment funds; U.S. government, state, municipal, and agency obligations; asset-backed securities; corporate and foreign fixed income maturities; and equity securities, including private equity securities. The Alpha Fund's and HSD's investments also include alternative investments, including investments in real assets, hedge funds, private equity funds, commodity funds, and private credit funds, which are valued based on the net asset value of the investments. In addition, the Alpha Fund participates, and the HSD participated, in securities lending transactions whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns comprise dividends, interest, and gains and losses on Borgess' investments, as well as Borgess' return on its interest in investments held by Ascension Health Alliance, and are reported as nonoperating (losses) gains in the consolidated statements of operations and changes in net assets, unless the return is restricted by donor or law.

Inventories

Inventories primarily consisting of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing the first-in, first-out (FIFO) method, or a methodology that closely approximates FIFO.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of non-compete agreements and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Intangible assets are included in other noncurrent assets on the consolidated balance sheets and comprise the following:

	June 30	
	2012	2011
Capitalized computer software costs	$ 456	$ 380
Non-compete agreements	1,932	1,932
	2,388	2,312
Less accumulated amortization	(764)	(366)
Total intangible assets, net	$ 1,624	$ 1,946

Intangible assets whose lives are indefinite are not amortized, and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily non-compete agreements and capitalized computer software costs, are amortized over their expected useful lives.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at June 30, 2012 and 2011 is as follows:

	June 30	
	2012	**2011**
Land and improvements	**$ 8,900**	$ 8,447
Building and equipment	**506,162**	490,917
	515,062	499,364
Less accumulated depreciation	**(355,226)**	(339,821)
	159,836	159,543
Construction in progress	**3,432**	2,175
Total property and equipment, net	**$ 163,268**	$ 161,718

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2012 and 2011 was $17,783 and $19,308, respectively.

Estimated useful lives by asset category are as follows: land improvements – 5 to 20 years; buildings – 5 to 45 years; and equipment – 3 to 25 years.

Borgess recognizes the fair value of asset retirement obligations, including conditional asset retirement obligations, if the fair value can be reasonably estimated in the period in which the liability is incurred. Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required to be remediated upon an asset's retirement, as well as contractually required asset retirement obligations. Conditional asset retirement obligations are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. Subsequent to initial recognition, accretion expense is recognized until the asset retirement liability is estimated to be settled.

Borgess' most significant asset retirement obligation relates to required future asbestos remediation. Asset retirement obligations of $500 as of June 30, 2012 and June 30, 2011, are recorded in other noncurrent liabilities in the accompanying consolidated balance sheets.

2. Significant Accounting Policies (continued)

During 2012 and 2011, no retirement obligations were incurred or settled. Accretion expense was nominal in 2012 and 2011.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by Borgess has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which includes endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, contributions of property and equipment, and the cumulative effect of accounting changes.

Operating and Nonoperating Activities

Borgess' primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to Borgess' primary mission are considered to be nonoperating, consisting primarily of net investment returns, donation expenditures, and net laundry processing operations.

2. Significant Accounting Policies (continued)

Net Patient Service Revenue, Accounts Receivable, and Allowance for Uncollectible Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided, excluding the provision for bad debt expense and including estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to settlement of open cost reports, resolutions of payment appeals, and settlement of contracts related to prior periods increased net patient service revenue by approximately $9,528 and $10,099 for the years ended June 30, 2012 and 2011, respectively.

During 2012, approximately 47.1% of net patient service revenue was received under the Medicare program, 7.6% under various state Medicaid programs, and 22.1% from Blue Cross of Michigan. During 2011, approximately 47.1% of net patient service revenue was received under the Medicare program, 8.9% under various state Medicaid programs, and 21.1% from Blue Cross of Michigan. Borgess grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of net accounts receivable at June 30, 2012 include Medicare (30.5%), Medicaid (10.7%), and Blue Cross Blue Shield of Michigan (6.2%). Significant concentrations of net accounts receivable at June 30, 2011, include Medicare (30.8%), Medicaid (10.8%), and Blue Cross Blue Shield of Michigan (4.2%).

2. Significant Accounting Policies (continued)

The provision for bad debt expense is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, Borgess follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with Borgess' policies.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

2. Significant Accounting Policies (continued)

Borgess accounts for HITECH incentive payments as a gain contingency. Income from Medicare incentive payments will be recognized as revenue after Borgess has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and when the cost report period that will be used to determine the final incentive payment has ended. Borgess recognized revenue from Medicaid incentive payments after it adopted certified HER technology. Medicaid incentive payments totaling $1,105 for the year ended June 30, 2012, are included in total operating revenue in the accompanying consolidated statements of operations and changes in net assets. Income from Medicare incentive payments is subject to retrospective adjustment, as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, Borgess' compliance with the meaningful use criteria is subject to audit by the federal government.

Impairment, Restructuring, and Nonrecurring Expenses

Long-lived assets are reviewed for impairment whenever events or business conditions indicate that the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

During the years ended June 30, 2012 and 2011, Borgess recorded total impairment, restructuring, and nonrecurring expenses of $962 and $945, respectively. For the year ended June 30, 2012, this included accruals associated with benefits for an early retirement program of $551 and an impairment of a $411 receivable related to the termination of an information technology service contract. For the year ended June 30, 2011, this comprised asset impairment expenses of $705 related to the termination of an information technology service contract and $240 of severance accruals for a management reorganization.

Health Ministry Income Taxes

The member health care entities of Borgess are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or 501(c)(2), and their related income is exempt from federal income tax under Section 501(a).

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by Borgess. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of these investigations will not have a material adverse impact on the consolidated financial statements of Borgess.

Deferred Compensation

Borgess maintains various deferred compensation plans for certain executives and physicians, which consist of non-qualified 457(f) plans, a non-qualified 457(b) plan, and a plan that consists of variable life policies. The 457(b) and 457(f) plans primarily consist of mutual funds at June 30, 2012.

	June 30	
	2012	**2011**
Total deferred compensation investments	**$ 16,632**	$ 18,105
Non-qualified 457(b)	**$ 5,139**	$ 4,813
Non-qualified 457(f)	**11,214**	13,033
Variable Life Policies	**279**	259
Total deferred compensation liability	**$ 16,632**	$ 18,105

The 457(b) and 457(f) plans primarily consist of mutual funds at June 30, 2012.

Reclassifications

Certain reclassifications were made to the 2011 consolidated financial statements to conform to the 2012 presentation.

2. Significant Accounting Policies (continued)

Subsequent Events

Borgess evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended June 30, 2012, Borgess evaluated subsequent events through September 13, 2012, representing the date on which the financial statements were available to be issued. During this period, there were no subsequent events that required recognition or disclosure in the financial statements. Additionally, there were no nonrecognized subsequent events that required disclosure.

Adoption of New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued its Accounting Standards Update (ASU) entitled *Improving Disclosures about Fair Value Measurements*, or ASU No. 2010-06. This standard clarified certain fair value measurement guidance and required that additional fair value measurement disclosures be made. Borgess adopted a portion of this guidance during the fiscal year ended June 30, 2010, and the remaining requirements as of July 1, 2011, as required. The disclosure updates adopted as of July 1, 2011 resulted in the provision of additional detail within the reconciliation of beginning and ending balances for assets and liabilities measured at fair value, whose fair value inputs are based on significant unobservable inputs (i.e., Level 3 assets and liabilities). These additional disclosure requirements are provided in the Fair Value Measurements note. The adoption of this guidance did not have a material impact on Borgess' consolidated financial statements for the year ended June 30, 2012.

In August 2010, the FASB issued its ASU entitled *Measuring Charity Care for Disclosure*, or ASU No. 2010-23. The provisions of this update require health care entities to disclose charity care based on cost measurements, defined as the direct and indirect costs of providing charity care. Borgess adopted this guidance on July 1, 2011; however, as Borgess has historically used cost-based measures for the calculation and disclosure of its charity care, the adoption of this guidance did not have a material impact on Borgess' consolidated financial statements for the year ended June 30, 2012.

2. Significant Accounting Policies (continued)

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).* This ASU provides clarifications to certain existing fair value measurement guidance and includes updated guidance for certain fair value measurement principles and disclosures. Borgess adopted this guidance as of January 1, 2012. The adoption of this guidance did not have a material impact on Borgess' consolidated financial statements for the year ended June 30, 2012.

In July 2011, the FASB issued ASU No. 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for bad Debt and the Allowance for Doubtful Accounts for Certain Health Care Entities. This accounting standards update requires healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue in the statement of operations rather than as operating expense. Additional disclosures relating to sources of patient service revenue and the allowance for uncollectible accounts are also required. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted. Borgess plans to adopt the provisions of this accounting standards updates as of and for the year ended June 30, 2013, and retrospectively apply the presentation requirements to all periods presented.

3. Organization Changes

There were no material organization changes for the year ended June 30, 2012. For the year ended June 30, 2011, Borgess Medical Center acquired the assets of a multi-physician cardiovascular professional corporation specializing in prevention, diagnosis, treatment, rehabilitation, and education to patients with cardiovascular, thoracic, and vascular disease. The physician practices are located throughout the Kalamazoo area. Total consideration paid was $2,370. The assets acquired included medical equipment, furniture and fixtures, and intangible assets related to non-compete agreements. The results of operations for 2012 reflected the operations of this acquisition.

(Dollars in Thousands)

4. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-Term Investments

At June 30, 2012, Borgess' investments comprised its interest in investments held by Ascension Health Alliance and certain other investments, including investments held and managed by locally managed foundations. At June 30, 2011, Borgess' investments comprised Borgess' pro rata share of the HSD's funds held for participants and certain other investments, including investments held and managed by foundations. Board-designated investments represent investments designated by resolution of the Board of Trustees to put amounts aside primarily for future capital expansion and improvements. Assets limited as to use primarily include investments restricted by donors. Borgess' cash, cash equivalents, interest in investments held by Ascension Health Alliance, and assets limited as to use and other long-term investments are reported in the accompanying consolidated balance sheets as presented in the following table:

	June 30	
	2012	**2011**
Cash and cash equivalents	$ **13,899**	$ 45,095
Current portion of assets limited as to use	**686**	359
Assets limited as to use and other long-term investments:		
Board-designated investments	**97**	99
Assets limited as to use temporarily or permanently restricted	**4,447**	4,358
Other long-term investments	**16,570**	87,537
Total assets limited as to use and other long-term investments	**21,114**	91,994
Deferred compensation investments	**16,632**	18,105
Interest in investments held by Ascension Health Alliance	**119,023**	–
Total	$ **171,354**	$ 155,553

(Dollars in Thousands)

4. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-Term Investments (continued)

The composition of cash and investments classified as cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments is summarized as follows:

	June 30	
	2012	2011
Cash and cash equivalents	$ 15,836	$ 28,750
Short-term investments	2,608	2,256
U.S. government obligations	158	158
Corporate and foreign fixed income investments	1,757	2,482
Mutual funds	15,851	17,423
Guaranteed pooled fund	781	682
Asset-backed securities	839	1,089
Equity securities	11,524	11,412
Private equity and other	1,292	1,409
Other assets limited as to use	1,685	524
Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use, and other long-term investments	52,331	66,185
Interest in investments held by Ascension Health Alliance	119,023	–
Pro rata share of HSD funds held for participants	–	89,368
Cash and cash equivalents, short-term investments, interest in investments held by Ascension Health Alliance, assets limited as to use, and other long-term investments	$ 171,354	$ 155,553

(Dollars in Thousands)

4. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-Term Investments (continued)

As of June 30, 2012 and 2011, the total composition of Alpha Fund and HSD investments is as follows:

	June 30	
	2012	2011
Cash, cash equivalents, and short-term investments, including pooled short-term investment funds	4.7%	6.9%
U.S. government obligations	32.1%	27.4%
Asset-backed securities	10.3%	15.8%
Corporate and foreign fixed income maturities	9.0%	11.3%
Equity, private equity, and other investments	43.9%	38.6%
	100.0%	100.0%

Investment return recognized by Borgess is summarized as follows:

	Year Ended June 30	
	2012	2011
Return on interest in investments held by Ascension Health Alliance and investment return in HSD	$ (1,730)	$ 10,910
Interest and dividends	461	1,213
Net (losses) gains on investments reported at fair value	(624)	3,109
Restricted investment income	63	–
Total investment (loss) return	$ (1,830)	$ 15,232
Investment return included in nonoperating (losses) gains	$ (1,798)	$ 14,366
(Decrease) increase in restricted net assets	(32)	866
Total investment (loss) return	$ (1,830)	$ 15,232

5. Fair Value Measurements

Borgess categorizes, for disclosure purposes, assets and liabilities measured at fair value in the financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. Borgess' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Borgess follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1 – Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar investments in active markets or exchanges or prices quoted for identical or similar investments in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

5. Fair Value Measurements (continued)

As of June 30, 2012 and 2011, the Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

Cash and cash equivalents and short-term investments

Short-term investments designated as Level 2 investments primarily comprise commercial paper, whose fair value is based on amortized cost. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value. Cash and cash equivalents and additional short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates.

Guaranteed pooled fund

The fair value of guaranteed pooled fund investments is based on cost plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying the annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

U.S. government, state, municipal, and agency obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark-constant maturity curves and spreads.

Corporate and foreign fixed income maturities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security-specific characteristics, such as early redemption options.

5. Fair Value Measurements (continued)

Asset-backed securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Equity securities

The fair value of investments in U.S. and international equity securities is primarily determined using the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Private equity and other investments

The fair value of private equity investments is primarily determined using techniques consistent with both the market and income approaches, based on Borgess' estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including, but not limited to, restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

Alternative investments consist of hedge funds, private equity funds, and real estate partnerships. Alternative investments are valued using net asset values as determined by external investment managers.

(Dollars in Thousands)

5. Fair Value Measurements (continued)

As discussed in the significant accounting policies and the cash and cash equivalents, interest in investments held by Ascension Health Alliance, and assets limited as to use and other long-term investments notes, Borgess has an interest in investments held by Ascension Health Alliance. As of June 30, 2012, 17%, 52%, and 31% of total Alpha Fund assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100%, and 0% of total Alpha Fund liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2, and Level 3 inputs, respectively. As of June 30, 2011, 31%, 67%, and 2% of total HSD assets that were measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 1%, 84%, and 15% of total HSD liabilities that were measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively.

The following table summarizes fair value measurements, by level, at June 30, 2012, for all other financial assets and liabilities that are measured at fair value on a recurring basis in the consolidated financial statements:

	Level 1	Level 2	Level 3	Total
June 30, 2012				
Cash and cash equivalents	$ 14,376	$ 1,460	$ –	$ 15,836
Short-term investments	2,608	–	–	2,608
U.S. government obligations	–	158	–	158
Corporate and foreign fixed income investments	–	1,757	–	1,757
Asset-backed securities	–	839	–	839
Equity, private equity, and other investments	10,647	–	2,169	12,816
Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use, and other long-term investments	27,631	4,214	2,169	34,014
Deferred compensation assets, included in other noncurrent assets, invested in:				
Mutual funds	15,851	–	–	15,851
Guaranteed pooled fund	–	–	781	781
	$ 43,482	$ 4,214	$ 2,950	$ 50,646

(Dollars in Thousands)

5. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2011 for all other financial assets and liabilities, measured at fair value on a recurring basis in Borgess' consolidated financial statements:

	Level 1	Level 2	Level 3	Total
June 30, 2011				
Cash and cash equivalents	$ 26,140	$ 2,610	$ –	$ 28,750
Short-term investments	2,256	–	–	2,256
U.S. government obligations	–	158	–	158
Corporate and foreign fixed income investments	–	2,482	–	2,482
Asset-backed securities	–	1,089	–	1,089
Equity, private equity, and other investments	10,468	–	2,353	12,821
Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use, and other long-term investments	38,864	6,339	2,353	47,556
Deferred compensation assets, included in other noncurrent assets, invested in:				
Mutual funds	17,423	–	–	17,423
Guaranteed pooled fund	–	–	682	682
	$ 56,287	$ 6,339	$ 3,035	$ 65,661

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. Borgess uses techniques consistent with the market approach and income approach for measuring the fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

(Dollars in Thousands)

5. Fair Value Measurements (continued)

During the years ended June 30, 2012 and 2011, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) comprised the following:

	Equity, Private Equity, and Other	Guaranteed Pool Fund
June 30, 2012		
Beginning balance	**$ 2,353**	**$ 682**
Total realized and unrealized gains:		
Included in nonoperating gains	**(123)**	**–**
Included in changes in net assets	**(7)**	**20**
Purchases, sales, issuances, and settlements	**(54)**	**49**
Transfers into Level 3	**–**	**30**
Ending balance	**$ 2,169**	**$ 781**
June 30, 2011		
Beginning balance	$ 3,767	$ 574
Total realized and unrealized gains:		
Included in nonoperating gains	383	–
Included in changes in net assets	28	–
Purchases, sales, issuances, and settlements	–	92
Transfers (out of) into Level 3	(1,825)	16
Ending balance	$ 2,353	$ 682

During 2011, $1,825 of the pooled mutual funds was converted to cash.

(Dollars in Thousands)

6. Long-Term Debt

Long-term debt consists of the following:

	June 30 2012	June 30 2011
Intercompany debt with Ascension Health Alliance, payable in installments through November 2051; interest (3.79% and 3.88% at June 30, 2012 and 2011, respectively) adjusted based on prevailing blended market interest rate of underlying debt obligations	**$ 167,315**	$ 168,526
Less current portion	**1,309**	1,212
Long-term debt, less current portion	**$ 166,006**	$ 167,314

Scheduled principal repayments of long-term debt are as follows:

Year ending June 30:	
2013	$ 1,309
2014	2,476
2015	2,551
2016	2,129
2017	2,625
Thereafter	156,225
Total	$ 167,315

6. Long-Term Debt (continued)

Certain members of Ascension Health Alliance formed the Ascension Health Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, senior designated affiliate, or senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension Health Alliance. Though senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI, Ascension Health Alliance may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including repayment of the outstanding obligations. Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health Alliance with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation. Borgess is a senior obligated group member under the terms of the Senior MTI.

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

6. Long Term Debt (continued)

A Subordinate Credit Group, which comprised subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension Health Alliance. Though subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, Ascension Health Alliance may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with Ascension Health Alliance, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation. Borgess is a subordinate obligated group member under the terms of the Subordinate MTI.

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper, and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members, subject to a long-term amortization schedule of 1 to 39 years.

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions. Additionally, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities. Any gain or loss on refinancing, as well as any bond premiums or discounts, are allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations. Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member.

6. Long-Term Debt (continued)

The carrying amounts of intercompany debt with Ascension Health Alliance and other debt approximate fair value based on a portfolio market valuation provided by a third party.

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio.

As of June 30, 2012, the Senior Credit Group has a line of credit of $1,000,000, which may be used as a source of funding for unremarketed variable rate debt (including commercial paper) or for general corporate purposes, toward which bank commitments totaling $1,000,000 extend to November 9, 2014. As of June 30, 2012 and 2011, there were no borrowings under the line of credit.

As of June 30, 2012, the Subordinate Credit Group has a $50,000 revolving line of credit related to its letters of credit program toward which a bank commitment of $50,000 extends through December 27, 2012. As of June 30, 2012, $26,607 of letters of credit had been extended under the revolving line of credit, although there were no borrowings under any of the letters of credit.

The outstanding principal amount of all hospital revenue bonds of Senior and Subordinate Credit Group members is $4,451,285, which represents 41% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at June 30, 2012.

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements, such as commercial paper issuances, bond financing, and similar transactions. The term of the guarantee is equal to the term of the related debt, which can be as short as 30 days or as long as 27 years. The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees and other commitments at June 30, 2012 is approximately $170,000. Additionally, Borgess has provided a guarantee to West Michigan Air Care (a 50%-owned, non-consolidated entity) under which Borgess would be required to provide funding in the event of default. The maximum potential future payout under this guarantee is $1,061. The fair value of this guarantee, as determined using a discounted cash flow analysis, of $20 has been recorded as a long-term liability in the accompanying consolidated balance sheets.

6. Long-Term Debt (continued)

During the years ended June 30, 2012 and 2011, interest paid was approximately $6,226 and $6,703, respectively. Capitalized interest was approximately $7 and $0 for the years ended June 30, 2012 and 2011, respectively.

7. Pension Plans

Borgess participates in a defined benefit pension plan and the Ascension Health Defined Contribution Plan. Details of these plans are as follows:

Defined Benefit Pension Plan

Borgess Health employees participate in the Ascension Health/Borgess Health Retirement Plan (Plan), which is a noncontributory defined benefit pension plan covering eligible associates of Borgess Health (effective eligibility dates may vary by company designation or as defined by a collective bargaining agreement as applicable). Plan benefits generally consider an eligible participant's years of credited service, age and earnings as defined by the Plan. Plan assets, principally cash and cash equivalents, equity, fixed income funds, and alternative investments are invested in a master trust under Ascension Health. Contributions to the plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to Plan participants. The assets of the Plan are available to pay the benefits of eligible employees.

(Dollars in Thousands)

7. Pension Plans (continued)

The following table provides a reconciliation of the changes in the projected benefit obligation and fair value of assets for the years ended June 30, 2012 and 2011, and a statement of the funded status as of June 30, 2012 and 2011:

	Year Ended June 30	
	2012	**2011**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 204,077**	$ 200,061
Service cost	**9,049**	9,629
Interest cost	**11,667**	10,940
Actuarial (gain) loss	**1,468**	(1,930)
Assumption changes	**29,000**	(7,221)
Benefits paid	**(8,248)**	(7,402)
Projected benefit obligation at end of year	**247,013**	204,077
Change in plan assets		
Fair value of plan assets at the beginning of year	**191,941**	163,414
Actual return on plan assets	**25,266**	29,891
Employer contributions	**–**	6,038
Deposit in transit	**2,437**	–
Benefits paid	**(8,248)**	(7,402)
Fair value of plan assets at end of year	**211,396**	191,941
Funded status and accrued benefit cost	**$ 35,617**	$ 12,136
Accumulated benefit obligation	**$ 225,680**	$ 185,784

(Dollars in Thousands)

7. Pension Plans (continued)

Included in unrestricted net assets at June 30, 2012 and 2011, respectively, are the following amounts that have not been recognized in net periodic pension cost:

	June 30 2012	2011
Unrecognized prior service credit	$ (4,771)	$ (5,771)
Unrecognized actuarial loss	36,080	18,437
	$ 31,309	$ 12,666

The assumptions used to determine the benefit obligation are set forth below:

	June 30 2012	2011
Weighted-average discount rate	4.45%	5.60%
Weighted-average rate of compensation increase	4.00%	4.00%

Changes in plan assets and benefit obligations recognized in unrestricted net assets during 2012 and 2011 include:

	Year Ended June 30 2012	2011
Current actuarial gain (loss)	$ 19,792	$ (25,927)
Amortization of actuarial gain	(2,128)	(3,095)
Amortization of prior service cost	979	972
	$ 18,643	$ (28,050)

(Dollars in Thousands)

7. Pension Plans (continued)

The assumptions used to determine net periodic benefit cost are set forth below:

	Year Ended June 30 2012	2011
Weighted – average discount rate	**5.60%**	5.45%
Weighted – average rate of compensation increase	**4.00%**	4.00%
Weighted – average rate of long-term rate of return on plan assets	**8.50%**	8.50%

	Year Ended June 30 2012	2011
Components of net periodic benefit cost		
Service cost	**$ 9,049**	$ 9,629
Interest cost	**11,667**	10,940
Expected return on plan assets	**(14,590)**	(13,115)
Amortization of prior service cost	**(979)**	(972)
Amortization of actuarial (gain) loss	**2,128**	3,095
Net periodic pension cost	**$ 7,275**	$ 9,577

Plan assets are invested in the Ascension Health Master Pension Trust (the Trust) consisting of cash and cash equivalents, equity, fixed income funds, and alternative investments. The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the plan for a significant portion of the total pension liability that can occur due to changes in interest rates. Contributions to the Plan are based on actuarially determined accounts sufficient to meet the benefits to be paid to Plan participants.

(Dollars in Thousands)

7. Pension Plans (continued)

As of June 30, 2012 and 2011, the fair value of the Borgess Plan's assets available for benefits was $211,396 and $191,941, respectively. As discussed in the fair value measurements note, the Borgess Plan is invested in the Trust, which follows a three-level hierarchy to categorize assets and liabilities measured at fair value. In accordance with this hierarchy, as of June 30, 2012, 16%, 51%, and 33% of the Trust's assets which are measured at fair value on a recurring basis were categorized as Level 1, Level 2, and Level 3, respectively. With respect to the Trust's liabilities measured at fair value on a recurring basis, 6%, 87%, and 7% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2012. Additionally, as of June 30, 2011, 27%, 45%, and 28% of the Trust's assets which are measured at fair value on a recurring basis were categorized as Level 1, Level 2, and Level 3, respectively. With respect to the Trust's liabilities measured at fair value on a recurring basis, 0%, 17%, and 83% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2011.

The pension plan's weighted average asset allocations at June 30, 2012 and 2011; and the target allocation for 2013, by category are as follows:

Asset Category	Target Allocation 2013	Percentage of Plan Assets at Year-End 2012	2011
Growth	50%	49%	52%
Recession/deflation	30%	32%	32%
Inflation	20%	19%	16%
Total	100%	100%	100%

(Dollars in Thousands)

7. Pension Plans (continued)

Expected Rate of Return

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the Ascension health Pension Plans' investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for the assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for the historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from the plan assets.

Expected Cash Flows

Information about the expected cash flows for the pension plans as of June 30 is as follows:

Expected employer contributions:		
2013	$	7,700
Expected benefit payments:		
2013		12,500
2014		13,700
2015		15,100
2016		15,500
2017		17,300
2018-2022		94,400

7. Pension Plans (continued)

Ascension Health Defined Contribution Plan

Borgess participates in the Ascension Health Defined Contribution Plan (the Defined Contribution Plan), a contributory and noncontributory defined contribution plan sponsored by Ascension Health, which covers all eligible associates. There are three primary types of contributions to the Defined Contribution Plan which may be initiated dependent on which plan an associate is eligible for: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary. Percentages recognized vary by Borgess entity dependent on the designated plan for the applicable entity. These benefits are funded annually and may be paid as a discretionary amount under one plan, with full vesting occurring over a period of time. Benefits for employer matching contributions where included as a component of an associate's retirement plan are determined as a percentage of an eligible participant's contributions each payroll period, subject to designated maximum percentages. These benefits are funded each payroll period and participants become fully vested in all employer contributions consistent with the terms of applicable plan documents. In some cases vesting is immediate, while in others a one-year vesting period is required. Defined contribution expense, representing both employer automatic contributions and employer matching contributions, was $3,462 and $3,527 for the years ended June 30, 2012 and 2011, respectively.

8. Other Postretirement Benefits

In addition to its pension plans, Borgess provides health care benefits to certain retired employees. Borgess Health Alliance, Inc. (the Plan Sponsor) established the Borgess Health Alliance, Inc. Health Care Plan for Retirees (the Plan) to provide certain health and welfare benefits to eligible retirees. The retiree eligibility class is a closed class. It includes the following two groups of retirees: 1) employees of Borgess Medical Center who retired before October 1, 1993; and 2) employees of Pipp Community Hospital who retired and were eligible for and elected to purchase Pipp retiree health benefits as of December 31, 1997 and former employees of Pipp Community Hospital who became employees of Borgess Medical Center and are eligible under the Pipp Retiree Health Benefit Program, but who retired after December 31, 1997 and on or before May 30, 1998. Effective January 1, 2011, coverage was eliminated for the non-union participants hired on or after January 1, 2000. The Plan amendment was appropriately reflected in the actuarial valuation.

(Dollars in Thousands)

8. Other Postretirement Benefits (continued)

The following table provides a reconciliation of the changes in benefit obligation and fair value of assets for the years ended June 30, 2012 and 2011 and a statement of the funded status as of June 30, 2012 and 2011:

	Year Ended June 30 2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	$ 12,949	$ 15,793
Service cost	156	258
Interest cost	740	757
Amendments	10	(654)
Actuarial loss (gain)	429	(1,515)
Assumption changes	1,861	(1,136)
Gross benefits paid	(548)	(593)
Federal subsidy on benefits paid	32	39
Benefit obligation at end of year	15,629	12,949
Change in plan assets		
Fair value of plan assets at beginning of year	–	–
Employer contributions	548	593
Gross benefits paid	(548)	(593)
Funded status and benefit obligation	$ 15,629	$ 12,949

Included in unrestricted net assets at June 30, 2012 and 2011, respectively, are the following amounts that have not been recognized in net periodic benefit cost:

	Year Ended June 30 2012	2011
Unrecognized net gain	$ 1,217	$ 3,782
Unrecognized transition obligation	(52)	(111)
	$ 1,165	$ 3,671

8. Other Postretirement Benefits (continued)Changes in plan assets and benefit obligations recognized in unrestricted net assets during 2012 and 2011, respectively, include:

(Dollars in Thousands)

	Year Ended June 30 2012	2011
Current year actuarial loss (gain)	$ 2,329	$ (2,643)
Amortization of actuarial gain	236	86
Amortization of prior service credit (cost)	10	(654)
Amortization of obligation	(69)	(165)
	$ 2,506	$ (3,376)

The net periodic benefit cost included the following:

	Year Ended June 30 2012	2011
Components of net periodic benefit cost:		
Service cost	$ 156	$ 258
Interest cost	740	757
Amortization:		
Transition obligation	69	165
Actuarial gain	(236)	(86)
Net periodic benefit cost	$ 729	$ 1,094

The accumulated postretirement benefit obligation was determined using a 4.45% and 5.60% weighted-average discount rate as of June 30, 2012 and 2011, respectively. The health care cost trend rates were assumed to be 5.00% for 2012 and 2011, respectively.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have an immaterial effect.

9. Self-Insurance Programs

Borgess participates in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the Trust and the captive insurance company to provide for the estimated cost of claims. The loss reserves

recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2012 and 2011. In the event that sufficient funds are not available from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency. If contributions exceed the losses paid, the excess may be returned to participating entities.

Professional and General Liability Programs

Borgess participates in Ascension Health's professional and general liability self-insured program, which provides claims-made coverage through a wholly owned onshore trust and offshore captive insurance company, Ascension Health Insurance, Ltd. (AHIL), with a self-insured retention of $10,000 per occurrence with no aggregate. Borgess has a deductible of $100 per claim. Excess coverage is provided through AHIL with limits up to $185,000. AHIL retains $5,000 per occurrence and $5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first $25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is professional and general liability expense of $2,181 and $1,075 for the years ended June 30, 2012 and 2011, respectively. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are professional and general liability loss reserves of approximately $3,317 and $3,231 at June 30, 2012 and 2011, respectively.

(Dollars in Thousands)

9. Self-Insurance Programs (continued)Workers' Compensation

Borgess participates in Ascension Health's workers' compensation program, which provides occurrence coverage through a grantor trust. The Trust provides coverage up to $1,000 per occurrence with no aggregate. The Trust provides a mechanism for funding the workers' compensation obligations of its members. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported.

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of $1,608 and $1,573 for the years ended June 30, 2012 and 2011, respectively.

10. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:		
2013	$	8,913
2014		8,517
2015		7,465
2016		6,416
2017		5,563
Thereafter		17,514
Total	$	54,388

Borgess has subleased certain of its space under the operating leases reported above. Total future minimum rents to be received under noncancelable subleases with terms of one year or more are $1,129.

10. Lease Commitments (continued)

In addition, Borgess is a lessor under certain operating lease agreements, primarily ground leases related to third party owned medical office buildings on land owned by Borgess. Future

(Dollars in Thousands)

minimum rental receipts under all noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:		
2013	$	157
2014		150
2015		144
2016		139
2017		139
Thereafter		4,296
Total	$	5,025

Rental expense under operating leases amounted to $12,689 and $11,602 in 2012 and 2011, respectively.

11. Related-Party Transactions

Borgess utilized various centralized programs and overhead services of the System or its other sponsored organizations, including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to Borgess for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of Borgess. Allocations are based on relevant metrics, such as Borgess' pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of the System. The amounts charged to Borgess for these services may not necessarily result in the net costs that would be incurred by Borgess on a stand-alone basis. The charges allocated to Borgess were approximately $34,170 and $35,896 for the years ended June 30, 2012 and 2011, respectively.

11. Related-Party Transactions (continued)

In addition to the charges discussed above, Borgess made payments to the System of $3,826 for the year ended June 30, 2012, representing Borgess' share of costs to fund a System-wide information technology and process standardization project that is expected to continue through December 2014. These payments are included in transfers to sponsor and other affiliates, net, in the accompanying statements of operations and changes in net assets.

Borgess made payments of $469 and $392 for the years ended June 30, 2012 and 2011, respectively to its sponsors, The Congregation of Saint Joseph.

12. Contingencies and Commitments

In addition to professional liability claims, Borgess is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on Borgess' consolidated balance sheets.

In September 2010, Ascension Health received a letter from the U.S. Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICDs) were provided to certain Medicare beneficiaries in accordance with national coverage criteria. In connection with this nationwide review, Borgess will be reviewing applicable medical records in order to respond to the DOJ. The DOJ's investigation spans a time frame beginning in 2004 and extending through the present time. Through September 13, 2012, the DOJ has not asserted any claims against Borgess. Ascension Health and Borgess continue to fully cooperate with the DOJ in its investigation.

Borgess enters into agreements with non-employed physicians that include minimum revenue guarantees. The carrying amounts of the liability for the Borgess obligation under these guarantees were $116 and $0 at June 30, 2012 and June 30, 2011, respectively, and are included in other current and noncurrent liabilities in the accompanying consolidated balance sheets.

The maximum amount of future payments that Borgess could be required to make under these guarantees is $305.

Supplementary Information

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Report of Independent Auditors on Supplementary Information

The Board of Trustees
Borgess Health

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedule of net cost of providing care of persons living in poverty and community benefit programs for the years ended June 30, 2012 and 2011, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as whole.

Ernst & Young LLP

September 13, 2012

Borgess Health

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs

(Dollars in Thousands)

December 31, 2011

The net cost, excluding the provision for bad debt expense, of providing care of persons living in poverty and community benefit programs is as follows:

	Year Ended June 30	
	2012	**2011**
Traditional charity care provided	**$ 11,545**	$ 12,604
Unpaid cost of public programs for persons living in poverty	**23,690**	22,054
Other programs for persons living in poverty and other vulnerable persons	**985**	1,042
Community benefit programs	**9,161**	9,951
Care of persons living in poverty and community benefit programs	**$ 45,381**	$ 45,651