See a Social Security Number? Say Something!
Report Privacy Problems to https://public.resource.org/privacy
Or call the IRS Identity Theft Hotline at 1-800-908-4490

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, 20 12

B Check if applicable:
- [ ] Address change
- [ ] Name change
- [ ] Initial return
- [ ] Terminated
- [X] Amended return
- [ ] Application pending

C Name of organization
COVENANT MEDICAL CENTER INC

Doing Business As COVENANT HEALTHCARE

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1447 N. HARRISON

City or town, state or country, and ZIP + 4
SAGINAW, MI 48602

D Employer identification number
38-3369438

E Telephone number
(989) 583-6006

G Gross receipts $ 513,117,292.

F Name and address of principal officer SPENCER MAIDLOW
1447 N. HARRISON SAGINAW, MI 48602

H(a) Is this a group return for affiliates? [ ] Yes [X] No

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

H(c) Group exemption number ▶

I Tax-exempt status: [X] 501(c)(3) [ ] 501(c) ( ) ◀ (insert no) [ ] 4947(a)(1) or [ ] 527

J Website: ▶ WWW.COVENANTHEALTHCARE.COM

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ▶

L Year of formation 1997 | **M** State of legal domicile MI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE DIVERSE MEDICAL CARE TO MEET THE HEALTH CARE NEEDS OF THE 15 COUNTIES IN EAST CENTRAL MICHIGAN WE SERVE.

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	10.
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	4,262.
6	Total number of volunteers (estimate if necessary)	6	450.
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	171,289.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	748,877.	5,873,350.
9	Program service revenue (Part VIII, line 2g)	501,219,382.	490,471,893.
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	18,257,778.	9,284,228.
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	10,393,951.	7,487,821.
12	Total revenue Add lines 8 through 11 (must equal Part VIII, column (A), line 12)	530,619,988.	513,117,292.
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0	0
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)	253,706,929.	269,442,456.
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)	240,915,505.	218,812,864.
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	494,622,434.	488,255,320.
19	Revenue less expenses Subtract line 18 from line 12	35,997,554.	24,861,972.

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	511,872,649.	529,758,145.
21	Total liabilities (Part X, line 26)	302,032,218.	327,903,598.
22	Net assets or fund balances Subtract line 21 from line 20	209,840,431.	201,854,547.

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 — Date 9/3/13

▶ MARK E. GRONDA VP/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check [ ] if self-employed	PTIN
DIANE L. BEAN		08/28/2013		P00104972

Firm's name ▶ ERNST & YOUNG U.S. LLP — Firm's EIN ▶ 34-6565596

Firm's address ▶ 41 S. HIGH ST, 1100 HUNTINGTON CTR COLUMBUS, OH 43215 — Phone no 614-232-7414

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

For Paperwork Reduction Act Notice, see the separate instructions. Form **990** (2011)

JSA
1E1010 1 000
010800 2817

H

G17

26

Part III **Statement of Program Service Accomplishments**
Check if Schedule O contains a response to any question in this Part III X

1 Briefly describe the organization's mission
TO PROVIDE DIVERSE MEDICAL CARE TO MEET THE HEALTH CARE NEEDS OF THE 15 COUNTIES IN EAST CENTRAL MICHIGAN WE SERVE.

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 $ 474,071,922. including grants of $ _____) (Revenue $ 490,471,893.)
ATTACHMENT 1

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** ▶ 474,071,922.

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	X	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	X	
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		X
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	X	
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		X
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		X
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		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
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		X
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		X
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI*	11a	X	
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	X	
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		X
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		X
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	X	
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		X
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		X
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	X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
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, Parts I and IV*	14b	X	
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 United States? *If "Yes," complete Schedule F, Parts II and IV*	15		X
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 United States? *If "Yes," complete Schedule F, Parts III and IV*	16		X
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 (see instructions)*	17		X
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		X
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		X
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	X	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	X	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
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		X
23	Did the organization answer "Yes" to Part VII, Section A, line 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	X	
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 lines 24b through 24d and complete Schedule K. If "No," go to line 25*	24a	X	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		X
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		X
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		X
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		X
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		X
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		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	27		X
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		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b	X	
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 direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		X
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29	X	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
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		X
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	X	
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	X	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	X	
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	X	
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		X
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		X
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	X	

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	154		
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		X	
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	4,262		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b		X	
	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		X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		X	
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, securities account, or other financial account)?	4a		X	
b	If "Yes," enter the name of the foreign country ▶ CAYMAN ISLANDS 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			X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			X
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			X
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			X
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			X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . .	7e			X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			X
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?	13a			
	Note. See the instructions for additional information the organization must report on Schedule O				
b	Enter the 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 amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			X
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 line 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 X

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 If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O	1a 14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b 10		
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		X
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		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		X
6	Did the organization have members or stockholders?	6	X	
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	X	
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	X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
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		X

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		X
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	X	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
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	X	
13	Did the organization have a written whistleblower policy?	13	X	
14	Did the organization have a written document retention and destruction policy?	14	X	
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	X	
b	Other officers or key employees of the organization	15b	X	
	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	X	
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	X	

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 Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 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 during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ MARK E. GRONDA 1447 N. HARRISON SAGINAW, MI 48602 989-583-2769

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 X

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 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, and 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 organization compensated any current 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) LAWRENCE SIMS VICE CHAIRMAN	4.00	X						0	0	0
(2) GREGORY LUBBEN TREASURER	4.00	X		X				1,612.	0	0
(3) MORRISON STEVENS, SR. BOARD MEMBER	4.00	X						0	0	0
(4) GARY RUMMEL BOARD MEMBER	4.00	X						1,471.	0	0
(5) TERRY NEIDERSTADT CHAIRMAN	4.00	X		X				1,677.	0	0
(6) MORTON WELDY SECRETARY	4.00	X		X				1,638.	0	0
(7) SUSAN STEMLER BOARD MEMBER	4.00	X						1,612.	0	0
(8) JOHN JOHNSON, MD BOARD MEMBER	4.00	X						1,612.	0	0
(9) DAVID MEYER BOARD MEMBER	4.00	X						1,612.	0	0
(10) DWIGHT MCNALLY BOARD MEMBER	4.00	X						0	0	0
(11) JOHN SHELTON BOARD MEMBER	4.00	X						1,612.	0	0
(12) CULLI DAMUTH BOARD MEMBER	4.00	X						1,429.	0	0
(13) SPENCER MAIDLOW PRESIDENT/CEO	50.00	X		X				2,358,911.	0	255,992.
(14) GENE PICKELMAN BOARD MEMBER	4.00	X						0	0	0

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			
15) MARK GRONDA VICE PRESIDENT/CFO	50.00			X				871,574.	0	108,117.
16) EDWARD BRUFF VICE PRESIDENT	50.00			X				981,516.	0	167,059.
17) CAROL STOLL VICE PRESIDENT	50.00			X				410,229.	0	74,315.
18) DR. JOHN KOSANOVICH VICE PRESIDENT	50.00			X				846,400.	0	135,963.
19) DANIEL GEORGE VICE PRESIDENT	50.00			X				283,408.	0	55,662.
20) TIM WENZEL VICE PRESIDENT	50.00			X				258,872.	0	150,454.
21) DR. ANTHONY DEBARI PHYSICIAN	50.00					X		928,559.	0	0
22) DR. UMESH BADAMI PHYSICIAN	50.00					X		711,338.	0	0
23) DR. BRIAN DEBEAUBIEN PHYSICIAN	50.00					X		693,433.	0	0
24) DR. FRANK SCHINCO PHYSICIAN	50.00					X		662,893.	0	0
25) DR. SCOTT MARTIN PHYSICIAN	50.00					X		644,083.	0	0
1b Sub-total ▶								2,373,186.	0	255,992.
c Total from continuation sheets to Part VII, Section A ▶								7,292,305.	0	691,570.
d Total (add lines 1b and 1c) ▶								9,665,491.	0	947,562.

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 ▶ 235

		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*		X
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*	X	
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*		X

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
ATTACHMENT 2		

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 49

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	285,281.			
	e	Government grants (contributions)	1e	5,588,069.			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $ 285,281.					
	h	Total. Add lines 1a-1f		5,873,350.			
Program Service Revenue			Business Code				
	2a	PATIENT SERVICE REVENUE	621990	481,561,544.	481,561,544.		
	b	JOINT VENTURES OPERATIONS	621990	6,287,726.	6,287,726.		
	c	EDUCATIONAL INCOME	611710	1,282,097.	1,282,097.		
	d	LAB BILLING	621500	1,340,526.	1,206,473.	134,053.	
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		490,471,893.			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		5,043,398.			5,043,398.
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real / (ii) Personal				
	6a	Gross rents	2,514,727.				
	b	Less rental expenses					
	c	Rental income or (loss)	2,514,727.				
	d	Net rental income or (loss)		2,514,727.			2,514,727.
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	4,069,180. / 171,650.				
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)	4,069,180. / 171,650.				
	d	Net gain or (loss)		4,240,830.			4,240,830.
	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events		0			
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities		0			
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory		0			
		Miscellaneous Revenue	Business Code				
	11a	CAFETERIA SALES	722210	2,265,123.		37,236.	2,227,887.
	b	MISCELLANEOUS REVENUE	900099	2,707,971.			2,707,971.
	c						
	d	All other revenue					
	e	Total. Add lines 11a-11d		4,973,094.			
	12	Total revenue. See instructions		513,117,292.	490,337,840.	171,289.	16,734,813.

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 X

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	6,972,747.	6,972,747.		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	493,689.	493,689.		
7 Other salaries and wages	206,964,494.	199,616,307.	7,348,187.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	11,980,655.	11,980,655.		
9 Other employee benefits	29,593,646.	29,557,490.	36,156.	
10 Payroll taxes	13,437,225.	13,356,413.	80,812.	
11 Fees for services (non-employees)				
a Management	0			
b Legal	1,153,372.	56,360.	1,097,012.	
c Accounting	204,929.	6,150.	198,779.	
d Lobbying	77,900.		77,900.	
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other	39,204,732.	35,698,523.	3,506,209.	
12 Advertising and promotion	3,553,153.	3,484,184.	68,969.	
13 Office expenses	6,882,719.	6,772,963.	109,756.	
14 Information technology	6,115,001.	6,115,001.		
15 Royalties	0			
16 Occupancy	14,805,559.	14,774,493.	31,066.	
17 Travel	466,282.	466,282.		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	708,214.	74,628.	633,586.	
20 Interest	5,103,480.	5,103,480.		
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	29,107,115.	29,107,115.		
23 Insurance	8,974,908.	8,972,772.	2,136.	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a MEDICAL EXPENSES	95,895,623.	95,895,623.		
b DUES	1,700,340.	1,115,785.	584,555.	
c COLLECTION EXPENSES	1,688,392.	1,688,392.		
d SUPPLIER DISTRIBUTION FEES	1,015,998.	1,015,998.		
e All other expenses	2,155,147.	1,746,872.	408,275.	
25 Total functional expenses Add lines 1 through 24e	488,255,320.	474,071,922.	14,183,398.	
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)	0			

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing	11,654,133.	1	11,996,573.
	2	Savings and temporary cash investments	17,867,409.	2	14,201,872.
	3	Pledges and grants receivable, net	0	3	0
	4	Accounts receivable, net	49,787,579.	4	51,064,258.
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L	0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)	0	6	0
	7	Notes and loans receivable, net	175,836.	7	167,094.
	8	Inventories for sale or use	11,989,340.	8	11,433,538.
	9	Prepaid expenses and deferred charges	24,450,598.	9	34,857,467.
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D — 10a: 546,069,469.			
	b	Less accumulated depreciation — 10b: 373,792,559.	171,303,374.	10c	172,276,910.
	11	Investments - publicly traded securities	164,094,180.	11	163,264,782.
	12	Investments - other securities See Part IV, line 11	59,499,726.	12	60,600,341.
	13	Investments - program-related See Part IV, line 11	0	13	0
	14	Intangible assets	0	14	0
	15	Other assets See Part IV, line 11	1,050,474.	15	9,895,310.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	511,872,649.	16	529,758,145.
Liabilities	17	Accounts payable and accrued expenses	54,692,727.	17	56,804,616.
	18	Grants payable	0	18	0
	19	Deferred revenue	0	19	0
	20	Tax-exempt bond liabilities	115,294,352.	20	110,235,232.
	21	Escrow or custodial account liability Complete Part IV of Schedule D	0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L	0	22	0
	23	Secured mortgages and notes payable to unrelated third parties	0	23	0
	24	Unsecured notes and loans payable to unrelated third parties	0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	132,045,139.	25	160,863,750.
	26	**Total liabilities.** Add lines 17 through 25	302,032,218.	26	327,903,598.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	209,840,431.	27	201,854,547.
	28	Temporarily restricted net assets	0	28	0
	29	Permanently restricted net assets	0	29	0
		Organizations that do not follow SFAS 117, check here ▶ [ ] 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	209,840,431.	33	201,854,547.
	34	Total liabilities and net assets/fund balances	511,872,649.	34	529,758,145.

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	513,117,292.
2	Total expenses (must equal Part IX, column (A), line 25)	2	488,255,320.
3	Revenue less expenses Subtract line 2 from line 1	3	24,861,972.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	209,840,431.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-32,847,856.
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	201,854,547.

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		X
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
c	If "Yes" to line 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	X	
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 separate 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		X
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		

SCHEDULE A
(Form 990 or 990-EZ)

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	**Employer identification number**
COVENANT MEDICAL CENTER INC	38-3369438

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 described in **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 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?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									

Part II **Support Schedule for Organizations Described in Sections 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 Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
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 section 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 from 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 a 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 . . . . . ▶ ☐

JSA

1E1220 1 000

010800 2817

Part III **Support Schedule for Organizations Described in Section 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 section 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 **331/3% support tests - 2011.** If the organization did not check the box on line 14, and line 15 is more than 331/3%, and line 17 is not more than 331/3%, check this box and **stop here** The organization qualifies as a publicly supported organization ▶ ☐

b **331/3% support tests - 2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 331/3%, and line 18 is not more than 331/3%, 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12 Also complete this part for any additional information. (See instructions).

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, Part V, line 35c (Proxy Tax), then

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

Name of organization	Employer identification number
COVENANT MEDICAL CENTER INC	38-3369438

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 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 function 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-
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

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 nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable 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)).**

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity	(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?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?	X		77,900.
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?		X	
j Total Add lines 1c through 1i			77,900.
2 a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
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 carry over 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) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."**

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible 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, Part II-A, and Part II-B, line 1 Also, complete this part for any additional information

LOBBYING ACTIVITY

SCH C PART II-B

KHEDER DAVIS WAS ENGAGED IN LOBBYING ACTIVITIES ON BEHALF OF COVENANT MEDICAL CENTER DURING FISCAL YEAR ENDED JUNE 30, 2012.

Part IV Supplemental Information *(continued)*

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, 8, 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
COVENANT MEDICAL CENTER INC

Employer identification number
38-3369438

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 can 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 education)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically important land area
☐ Preservation of a certified historic structure

2 Complete lines 2a through 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 Tax 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, and not on a historic structure listed in the National Register	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 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 (ASC 958), 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 (ASC 958), 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 (ASC 958) 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 acquisition, 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 Net investment earnings, gains, and 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 current year end balance (line 1g, column (a)) held as

- a Board designated or quasi-endowment ▶ _____ %
- b Permanent endowment ▶ _____ %
- c Temporarily restricted endowment ▶ _____ %

The percentages in lines 2a, 2b, and 2c should equal 100%

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		7,618,547.		7,618,547.
b Buildings		141,469,257.	102,758,386.	38,710,871.
c Leasehold improvements		69,897,032.	53,570,140.	16,326,892.
d Equipment		327,084,633.	217,464,033.	109,620,600.
e Other				
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c)).* ▶				172,276,910.

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		
(3) Other		
(A) LIMITED PARTNERSHIPS	14,845,025.	FMV
(B) HEDGE FUNDS	33,062,243.	FMV
(C) JOINT VENTURES	12,693,073.	COST
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	60,600,341.	

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

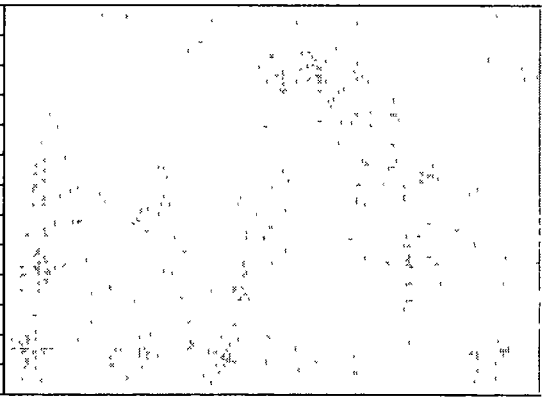
(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

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

	(a) Description	(b) Book value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 15)* ▶		

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) ACCRUED PENSION	94,734,697.
(3) ACCRUED POST RETIREMENT BENEFITS	33,144,797.
(4) OTHER LIABILITIES	32,984,256.
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	160,863,750.



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

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited 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 through 8	9	
10	Excess or (deficit) for the year per audited 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 must 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 must 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, line 2, 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

Part XIV Supplemental Information *(continued)*

SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization

COVENANT MEDICAL CENTER INC

Employer identification number

38-3369438

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

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

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States

3 Activities per Region. (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) CENTRAL AMERICA/CARIBBEAN			PROGRAM SERVICES	SELF INSURANCE	296,133.
(2) CENTRAL AMERICA/CARIBBEAN			INVESTMENTS	INVESTMENTS	28,155,351.
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
3a Sub-total					28,451,484.
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)					28,451,484.

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

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									
(8)									
(9)									
(10)									
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

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

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

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

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

JSA

1E1276 1 000

010800 2817

Part IV Foreign Forms

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

Part V **Supplemental Information**

Complete this part to provide the information required by Part I, line 2 (monitoring of funds), Part I, line 3, column (f) (accounting method, amounts of investments vs expenditures per region), Part II, line 1 (accounting method), Part III (accounting method), and Part III, column (c) (estimated number of recipients), as applicable Also complete this part to provide any additional information (see instructions).

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
COVENANT MEDICAL CENTER INC

Employer identification number
38-3369438

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1)		22749	3,151,384.	442,004.	2,709,380.	.55
b Medicaid (from Worksheet 3, column a)		27499	87,689,328.	70,008,686.	17,680,642.	3.62
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		50248	90,840,712.	70,450,690.	20,390,022.	4.17
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,500,867.		1,500,867.	.31
f Health professions education (from Worksheet 5)			11,066,896.	3,433,047.	7,633,849.	1.56
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits			12,567,763.	3,433,047.	9,134,716.	1.87
k Total Add lines 7d and 7j		50248	103,408,475.	73,883,737.	29,524,738.	6.04

Part II **Community Building Activities** Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing			2,770,342.		2,770,342.	.57
2 Economic development						
3 Community support			8,592.		8,592.	
4 Environmental improvements						
5 Leadership development and training for community members			62,176.		62,176.	.01
6 Coalition building			1,314.		1,314.	
7 Community health improvement advocacy			83,527.		83,527.	.02
8 Workforce development			7,886.		7,886.	
9 Other			2,848.		2,848.	
10 Total			2,936,685.		2,936,685.	.60

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	X	
2	Enter the amount of the organization's bad debt expense 2 11,033,984.			
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy 3 1,294,548.			
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	189,394,888.
6	Enter Medicare allowable costs of care relating to payments on line 5	6	189,471,344.
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-76,456.
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	X	
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	X	

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	COV. HLTH CRE PRTNRS	HEALTH CARE	50.00000		50.00000
2	MACKINAW SURGERY	SURGERY CENTER	49.75000		50.25000
3	COV HLCR MACKINAW FC	RENTAL	82.00000		18.00000
4	COV POB LLC	RENTAL	37.50000		50.00000
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? 4

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 COVENANT MEDICAL CENTER, INC. (HARRISON) 1447 N. HARRISON SAGINAW MI 48602	X	X		X			X		
2 COVENANT MEDICAL CENTER, INC. (COOPER) 700 COOPER SAGINAW MI 48602	X	X		X			X		
3 COVENANT MEDICAL CENTER, INC. (REHAB) 515 N. MICHIGAN SAGINAW MI 48602	X	X							REHABILITATION UNIT
4 COVENANT MEDICAL CENTER, INC. (MICHIGAN) 515 N. MICHIGAN SAGINAW MI 48602	X	X							SKILLED NURSING UNIT
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									

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: COVENANT MEDICAL CENTER, INC. (HARRISON)

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 tax year 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 line 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 the community health 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	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a 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 Needs Assessment			
g	☐ Prioritization of health needs in its 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care 2 0 0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

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: COVENANT MEDICAL CENTER, INC. (COOPER)

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 tax year 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 line 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 the community health 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	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a 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 Needs Assessment			
g	☐ Prioritization of health needs in its 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care 2 0 0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

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: COVENANT MEDICAL CENTER, INC. (REHAB)

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 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 the community health 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	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a 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 Needs Assessment			
g	☐ Prioritization of health needs in its 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care: 2 0 0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

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: COVENANT MEDICAL CENTER, INC. (MICHIGAN)

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 4

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for tax year 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 line 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 the community health 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	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a 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 Needs Assessment			
g	☐ Prioritization of health needs in its 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 and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care: 2 0 0 %			
	If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)* COVENANT MEDICAL CENTER, INC. (HARRISON)

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply).			
a	[X] Income level			
b	[X] Asset level			
c	[ ] Medical indigency			
d	[ ] Insurance status			
e	[ ] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[ ] The policy was posted on the hospital facility's website			
b	[ ] The policy was attached to 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 on admission to the hospital facility			
f	[X] The policy was available on 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	X	
15	Check all of the following 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			
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		X
	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 line 16 (check all that apply)			
a	[ ] Notified patients of the financial assistance policy on 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)* COVENANT MEDICAL CENTER, INC. (COOPER)

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care. 3 0 0 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	[X] Income level			
b	[X] Asset level			
c	[ ] Medical indigency			
d	[ ] Insurance status			
e	[ ] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[ ] The policy was posted on the hospital facility's website			
b	[ ] The policy was attached to 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 on admission to the hospital facility			
f	[X] The policy was available on 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	X	
15	Check all of the following 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			
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		X
	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 line 16 (check all that apply)			
a	[ ] Notified patients of the financial assistance policy on 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)* COVENANT MEDICAL CENTER, INC. (REHAB)

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	[X] Income level			
b	[X] Asset level			
c	[ ] Medical indigency			
d	[ ] Insurance status			
e	[ ] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[ ] The policy was posted on the hospital facility's website			
b	[ ] The policy was attached to 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 on admission to the hospital facility			
f	[X] The policy was available on 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	X	
15	Check all of the following 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			
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		X
	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 line 16 (check all that apply)			
a	[ ] Notified patients of the financial assistance policy on 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)* COVENANT MEDICAL CENTER, INC. (MICHIGAN)

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 3 0 0 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply).			
a	[X] Income level			
b	[X] Asset level			
c	[ ] Medical indigency			
d	[ ] Insurance status			
e	[ ] Uninsured discount			
f	[X] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[ ] The policy was posted on the hospital facility's website			
b	[ ] The policy was attached to 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 on admission to the hospital facility			
f	[X] The policy was available on 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	X	
15	Check all of the following 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			
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		X
	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 line 16 (check all that apply)			
a	[ ] Notified patients of the financial assistance policy on 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)* COVENANT MEDICAL CENTER, INC. (HARRISON)

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	X	
	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	☒ Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		X
	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 any service provided to that patient?	21		X
	If "Yes," explain in Part VI			

Part V Facility Information *(continued)* COVENANT MEDICAL CENTER, INC. (COOPER)

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	X	
	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	☒ Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		X
	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 any service provided to that patient?	21		X
	If "Yes," explain in Part VI			

Part V Facility Information *(continued)* COVENANT MEDICAL CENTER, INC. (REHAB)

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	X	
	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	☒ Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		X
	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 any service provided to that patient?	21		X
	If "Yes," explain in Part VI			

Part V Facility Information *(continued)* COVENANT MEDICAL CENTER, INC. (MICHIGAN)

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	X	
	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 its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	☒ Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		X
	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 any service provided to that patient?	21		X
	If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year? 27

	Name and address	Type of Facility (describe)
1	IRVING CAMPUS 600 IRVING SAGINAW MI 48602	PM&R, OCC HLTH, EMPLOYEE WELLNESS
2	HOUGHTON CAMPUS 1000 HOUGHTON SAGINAW MI 48602	LABORATORY
3	DR. CASTILLO 6614 DIXIE HWY BRIDGEPORT TOWNSHIP MI 48722	PHYSICIAN OFFICE
4	MED EXPRESS BAY CITY 2997 WILDER RD BAY CITY MI 48706	URGENT CARE
5	MED EXPRESS/BREAST IMAGING 5570 STATE STREET SAGINAW MI 48602	URGENT CARE
6	CONDO 800 COOPER SAGINAW MI 48602	PHYSICIAN OFFICE
7	COVENANT BREAST IMAGING 600 N. MAIN FRANKENMUTH MI 48734	URGENT CARE, IMAGING & PM&R
8	DR. EASTON/LAB 8767 GRATIOT SAGINAW MI 48609	PHYSICIAN OFFICE
9	DR. R WILLIAMS 3215 HALLMARK CT. SAGINAW MI 48602	PHYSICIAN OFFICE
10	VNA 500 S. HAMILTON SAGINAW MI 48602	HOME CARE

Part V Facility Information *(continued)*

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year? _____

	Name and address	Type of Facility (describe)
1	SIBM 3875 BAY ROAD SAGINAW TOWNSHIP MI 48602	PHYSICIAN OFFICE
2	REGIONAL IMAGING CENTER 4717 NORTH GARFIELD AUBURN MI 48611	IMAGING
3	VNA CARTWRIGHT CENTER 3443 HOSPITAL RD SAGINAW MI 48602	HOME HEALTH
4	SAGINAW TOWNSHIP FAMILY PRACTICE 3875 BAY ROAD SAGINAW MI 48602	PHYSICIAN OFFICE
5	DR. CONSTAN & DR. NUSRAT 3037 SILVERWOOD SAGINAW MI 48602	PHYSICIAN OFFICE
6	DR. NAHATA 3350 SHATTUCK SAGINAW MI 48602	PHYSICIAN OFFICE
7	MACKIAW CAMPUS 5400 MACKINAW SAGINAW TOWNSHIP MI 48602	HEALTHCARE OFFICE
8	ECC 900 COOPER AVE SAGINAW MI 48602	ER-24 HOURS
9	DR. JOHNSON 1430 N. CENTER SAGINAW MI 48602	PHYSICIAN OFFICE
10	DR. A. LAFLEUR 3400 N. CENTER SAGINAW MI 48603	PHYSICIAN OFFICE

Part V Facility Information *(continued)*

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year? _____

	Name and address	Type of Facility (describe)
1	DR. PRESCOTT 335 E. HOUGHTON WEST BRANCH MI 48661	PHYSICIAN OFFICE
2	DR. GRIMSHAW 8470 MAIN ST. BIRCH RUN MI 48415	PHYSICIAN OFFICE
3	COVENANT CARDIOLOGY 318 W. WRIGHT SHEPARD MI 48883	PHYSICIAN OFFICE, CARDIOLOGY
4	SAGINAW VALLEY PROMARY CARE 2970 PIERCE SAGINAW MI 48604	PHYSICIAN OFFICE, PRIMARY CARE FACILITY
5	DR. NINAN 4705 TOWNE CENTRE SAGINAW MI 48604	PHYSICIAN OFFICE
6	DR. DE BEAUBIEN 4701 TOWNE CENTRE SAGINAW MI 48604	PHYSICIAN OFFICE
7	SEBEWAING PRIMARY CARE 616 UNIONVILLE SEBEWAING MI 48759	PHYSICIAN OFFICE
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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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 hospitals 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

SCHEDULE H, PART I, LINE 7, COLUMN (F)

BAD DEBT EXPENSE REPORTED ON FORM 990, BUT SUBTRACTED FOR PURPOSES OF

CALCULATING THE RATIO OF COST-TO-CHARGE IS $34,308,799.

SCHEDULE H, PART I, LINE 7

THE BEST AVAILABLE INFORMATION WAS USED TO CALCULATE THE COST IN LINE 7.

COST IS BASED ON THE COST-TO-CHARGE RATIO. MEDICAID COST ON ROW (B.)

CALCULATED USING RATIO OF COST TO CHARGE FROM WORKSHEET 3.

SCHEDULE H, PART II

COVENANT HEALTHCARE IS ACTIVELY INVOLVED IN COMMUNITY BUILDING

INITIATIVES. LEADERSHIP FROM THROUGHOUT THE ORGANIZATION HOLD VOLUNTARY

BOARD AND COMMITTEE POSITIONS IN THE COMMUNITY GROUPS OR ORGANIZATIONS

FOCUSED ON IMPROVING THE QUALITY OF LIFE IN THE REGION, PARTICULARLY

AROUND ISSUES OF COMMUNITY HEALTH. ADDITIONALLY, THE ORGANIZATION

CONDUCTS COMMUNITY OUTREACH AND SCREENING ACTIVITIES IN THE VARIOUS

COMMUNITIES IN OUR REGION TO IMPACT HEALTH IN SUCH WAYS AS EARLY DISEASE

DETECTION TO TRAUMA PREVENTION. INCLUDES $106,000 IN ESTIMATED WAGES FOR

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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 hospitals 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

VOLUNTEER HOURS.

SCHEDULE H, PART III, LINE 4

FOOTNOTE TO AUDITED FINANCIAL STATEMENTS: THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATIONS. THE RESULTS OF THESE REVIEWS ARE USED TO MAKE ANY MODIFICATIONS TO THE METHODOLOGY FOR ESTIMATING THE PROVISIONS FOR BAD DEBTS AND ESTABLISHING THE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES. AFTER SATISFACTION OF AMOUNTS DUE FROM INSURANCE, COVENANT HEALTHCARE FOLLOWS ESTABLISHED GUIDELINES FOR PLACING CERTAIN PAST-DUE PATIENT BALANCES WITH COLLECTION AGENCIES. BAD DEBT COST METHODOLOGY: BAD DEBT COST ON LINE 2 IS CALCULATED USING THE RATIO-OF-COST TO CHARGE METHODOLOGY ON WORKSHEET 2. ESTIMATED PORTION OF BAD DEBT COST WHICH REPRESENTS PATIENTS ELIGIBLE FOR COVENANT'S FINANCIAL ASSISTANCE POLICY: COVENANT ESTIMATES THAT BAD DEBT INCLUDES CHARGES OF $4.3M AND COST OF $1.3M RELATED TO PATIENTS THAT WOULD QUALIFY FOR THE FINANCIAL ASSISTANCE POLICY.

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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 hospitals 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

SCHEDULE H, PART III, LINE 8

THE HOSPITAL REPORTED MEDICARE ALLOWABLE COST, AS REPORTED ON THE MEDICARE COST REPORT, ON WORKSHEET H, PART III, SECTION B, LINE 6. THE METHODOLOGY REMOVES NON-ALLOWABLE COST PER MEDICARE RULES AND OFFSETS OTHER OPERATING REVENUE AGAINST COST. PROFESSIONAL PART B COST IS ALSO REMOVED. THE COST OF SUPPORT DEPARTMENTS IS ALLOCATED TO REVENUE PRODUCING DEPARTMENTS USING THE STEP-DOWN METHODOLOGY. THE MEDICARE SHORTFALL OF COST OVER PAYMENT SHOULD BE CONSIDERED A COMMUNITY BENEFIT BECAUSE COVENANT MEDICAL CENTER IS PROVIDING CARE TO THESE PATIENTS WITH FULL KNOWLEDGE THAT MEDICARE PAYMENTS MAY NOT COVER THE COST OF PROVIDING CARE TO THESE PATIENTS.

SCHEDULE H, PART III, LINE 9B

IT IS NOT OUR POLICY TO PURSUE COLLECTION AGAINST PATIENTS KNOWN TO QUALIFY FOR CHARITY CARE OR OTHER FINANCIAL ASSISTANCE. IN CERTAIN CASES IT MAY NOT BE EASILY DETERMINED WHETHER OR NOT A PATIENT QUALIFIES FOR CHARITY OR FINANCIAL ASSISTANCE; HOWEVER; IF AFTER COLLECTION PRACTICES

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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 hospitals 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.

HAVE BEGUN IT LATER BECOMES KNOWN THAT A PATIENT QUALIFIES, THE

COLLECTION EFFORTS CEASE.

SCHEDULE H, PART V, LINE 19D

THE MAXIMUM AMOUNT THAT CAN BE CHARGED TO FAP-ELIGIBLE INDIVIDUALS FOR

EMERGENCY OR OTHER MEDICALLY NECESSARY CARE IS THE NET OF STANDARD

CHARGES LESS APPLICABLE FINANCIAL ASSISTANCE.

NEEDS ASSESSMENT

SCHEDULE H, PART VI, LINE 2

COVENANT HEALTHCARE IS A STEERING COMMITTEE MEMBER IN THE SAGINAW COUNTY

HEALTH IMPROVEMENT PLAN IN 2009 WHICH COVERS 2010 THROUGH 2015. THE

STEERING COMMITTEE AGENCIES ARE SAGINAW COUNTY DEPARTMENT OF PUBLIC

HEALTH, COVENANT HEALTHCARE, ST. MARY'S OF MICHIGAN, HEALTH DELIVERY

INCORPORATED, SAGINAW INTERMEDIATE SCHOOL DISTRICT, SAGINAW COUNTY

COMMUNITY MENTAL HEALTH AUTHORITY, AND ALIGNMENT SAGINAW. THE SAGINAW

COUNTY DEPARTMENT OF PUBLIC HEALTH, IN PARTNERSHIP WITH THE PREVENTION

RESEARCH CENTER OF MICHIGAN, CREATED AND CONDUCTED AN ELECTRONIC SURVEY

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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 hospitals 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

TO ASSESS THE COUNTY'S LOCAL PUBLIC HEALTH SYSTEM. THE SURVEY FOCUSED ON THE LOCAL PUBLIC HEALTH SYSTEM DEFINED AS ALL ENTITIES THAT CONTRIBUTE TO THE DELIVERY OF PUBLIC HEALTH SERVICES WITHIN A COMMUNITY. THIS SYSTEM INCLUDES ALL PUBLIC, PRIVATE, AND VOLUNTARY ENTITIES, AS WELL AS INDIVIDUALS AND INFORMAL ASSOCIATIONS. THE SURVEY USED THE TEN (10) ESSENTIAL PUBLIC HEALTH SERVICES, DEVELOPED BY CDC AND NACCHO, AS THE FUNDAMENTAL FRAMEWORK FOR ASSESSING THE LOCAL PUBLIC HEALTH SYSTEM. THE METHOD USED TO DEVELOP THE PLAN FOLLOWS THE NATIONAL MODEL KNOWN AS MAPP - MOBILIZING FOR ACTION THROUGH PLANNING AND PARTNERSHIPS. THIS MODEL WAS DEVELOPED BY THE CENTER FOR DISEASE CONTROL (CDC) AND THE NATIONAL ASSOCIATION OF COUNTY AND CITY HEALTH OFFICIALS (NACCHO). THE FOUR MAPP ASSESSMENTS INCLUDED COMMUNITY THEMES AND STRENGTHS, LOCAL PUBLIC HEALTH SYSTEM, COMMUNITY HEALTH ASSESSMENT, AND FORCES OF CHANGE.

PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE

SCHEDULE H, PART VI, LINE 3

COVENANT HEALTHCARE COMMUNICATES OUR CHARITY CARE AND FINANCIAL ASSISTANCE POLICY VIA THE COVENANT WEBSITE, A LETTER TO THE GUARANTOR IF

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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 hospitals 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

BENEFIT ELIGIBILITY IS NOT ESTABLISHED, OR IN PERSON IF GUARANTOR INDICATES FINANCIAL NEED. LITERATURE ON THIS POLICY IS ALSO AVAILABLE AT REGISTRATION AREAS.

COMMUNITY INFORMATION

SCHEDULE H, PART VI, LINE 4

COVENANT HEALTHCARE IS LOCATED IN SAGINAW COUNTY AND CLOSE TO 90% OF INPATIENT DISCHARGES ARE FROM PATIENTS WITHIN THE COUNTY. HOWEVER, COVENANT DOES REACH OUT INTO THE SURROUNDING COUNTIES AND HAS RELATIONSHIPS WITH SEVERAL CRITICAL ACCESS HOSPITALS IN THE REGION. COVENANT CONSIDERS SIX COUNTIES (SAGINAW, BAY, MIDLAND, TUSCOLA, HURON, AND SANILAC) AS ITS PRIMARY MARKET. ANOTHER 14 COUNTIES IN THE REGION ARE CONSIDERED THE SECONDARY SERVICE AREA.

COVENANT HEALTHCARE IS LOCATED IN CBSA 40980 SAGINAW-SAGINAW TOWNSHIP NORTH WITHIN SAGINAW COUNTY, MICHIGAN.

AS OF THE 2010 CENSUS, SAGINAW COUNTY'S POPULATION WAS 200,169. THERE WERE 80,430 HOUSEHOLDS OUT OF WHICH 32.70% HAD CHILDREN UNDER THE AGE OF 18 LIVING WITH THEM, 50.20% WERE MARRIED COUPLES LIVING TOGETHER, 15.40%

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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 hospitals 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

HAD A FEMALE HOUSEHOLDER WITH NO HUSBAND PRESENT, AND 30.60% WERE

NON-FAMILIES.

IN THE COUNTY THE POPULATION WAS SPREAD OUT WITH 26.60% UNDER THE AGE OF

18, 9.00% FROM 18 TO 24, 27.60% FROM 25 TO 44, 23.20% FROM 45 TO 64, AND

13.50% WHO WERE 65 YEARS OF AGE OR OLDER. THE MEDIAN AGE WAS 36 YEARS.

THE MEDIAN INCOME FOR A HOUSEHOLD IN THE COUNTY WAS $38,637, AND THE

MEDIAN INCOME FOR A FAMILY WAS $46,494. THE PER CAPITA INCOME FOR THE

COUNTY WAS $19,438. ABOUT 11.00% OF FAMILIES AND 13.90% OF THE POPULATION

WERE BELOW THE POVERTY LINE, INCLUDING 20.70% OF THOSE UNDER AGE 18 AND

9.50% OF THOSE AGE 65 OR OVER.

THE JOBLESS RATE IN CALENDAR YEAR 2009 WAS 20.8% IN THE CITY OF SAGINAW,

12.5% IN SAGINAW COUNTY COMPARED TO 13.6% FOR THE STATE OF MICHIGAN AS A

WHOLE.

PROMOTION OF COMMUNITY HEALTH

SCHEDULE H, PART VI, LINE 5

COVENANT HEALTHCARE IS ACTIVELY INVOLVED IN COMMUNITY BUILDING

INITIATIVES. LEADERSHIP FROM THROUGHOUT THE ORGANIZATION HOLD VOLUNTARY

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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 hospitals 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

BOARD AND COMMITTEE POSITIONS IN COMMUNITY GROUPS AND ORGANIZATIONS FOCUSED ON IMPROVING THE QUALITY OF LIFE IN THE REGION, PARTICULARLY AROUND ISSUES OF COMMUNITY HEALTH. ADDITIONALLY, THE ORGANIZATION CONDUCT COMMUNITY OUTREACH AND SCREENING ACTIVITIES IN THE VARIOUS COMMUNITIES IN OUR REGION TO IMPACT HEALTH IN SUCH WAYS AS TO EARLY DISEASE DETECTION TO TRAUMA PREVENTION. UNDER DIRECTION OF A VOLUNTEER COMMUNITY BOARD, COVENANT HEALTHCARE IS AN INTEGRAL PART OF THE COMMUNITIES IT SERVES. THE COVENANT VISION IS TO CONSISTENTLY DELIVER ON A PROMISE OF CARING AND A COMMITMENT TO SERVICE. GUIDED BY A SEPARATE VOLUNTEER BOARD, THE COVENANT HEALTHCARE FOUNDATION ASSISTS THE MEDICAL CENTER IN CARRYING OUT ITS SERVICE MISSION THROUGH THE ACQUISITION OF PHILANTHROPIC FUNDS TO SERVE AS A PRIME RESOURCE IN THE DELIVERY OF CARE TO THOSE COVENANT HEALTHCARE SERVICES.

AFFILIATED HEALTH CARE SYSTEM

SCHEDULE H, PART VI, LINE 6

COVENANT MEDICAL CENTER, INC. IS NOT A PART OF AN AFFILIATED HEALTH SYSTEM.

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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 hospitals 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.

STATE FILING OF COMMUNITY BENEFIT REPORT

SCHEDULE H, PART VI, LINE 7

MICHIGAN

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, line 23.**

▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT MEDICAL CENTER INC

Employer identification number
38-3369438

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax indemnification 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 on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director Explain in Part III			
	☒ 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		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	X	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only section 501(c)(3) and 501(c)(4) organizations 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		X
b	Any related organization?	5b		X
	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		X
b	Any related organization?	6b		X
	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		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	8		X
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 duplicate copies if additional space is 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, applicable column (D) and (E) amounts 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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 SPENCER MAIDLOW	(i)	691,702.	163,944.	1,503,265.	239,758.	16,234.	2,614,903.	350,749.
	(ii)	0	0	0	0	0	0	0
2 MARK GRONDA	(i)	352,663.	86,931.	431,980.	88,295.	19,822.	979,691.	81,285.
	(ii)	0	0	0	0	0	0	0
3 EDWARD BRUFF	(i)	416,985.	98,531.	466,000.	147,866.	19,193.	1,148,575.	95,388.
	(ii)	0	0	0	0	0	0	0
4 CAROL STOLL	(i)	226,791.	53,760.	129,678.	64,972.	9,343.	484,544.	27,022.
	(ii)	0	0	0	0	0	0	0
5 DR. JOHN KOSANOVICH	(i)	345,134.	85,250.	416,016.	117,550.	18,413.	982,363.	101,705.
	(ii)	0	0	0	0	0	0	0
6 DANIEL GEORGE	(i)	220,655.	52,859.	9,894.	55,662.	0	339,070.	0
	(ii)	0	0	0	0	0	0	0
7 TIM WENZEL	(i)	204,232.	46,131.	8,509.	130,103.	20,351.	409,326.	0
	(ii)	0	0	0		0	0	0
8 DR. ANTHONY DEBARI	(i)	732,999.	192,020.	3,540.	0	0	928,559.	0
	(ii)	0	0	0	0	0	0	0
9 DR. UMESH BADAMI	(i)	663,898.	44,264.	3,176.	0	0	711,338.	0
	(ii)	0	0	0	0	0	0	0
10 DR. BRIAN DEBEAUBIEN	(i)	664,893.	27,460.	1,080.	0	0	693,433.	0
	(ii)	0	0	0	0	0	0	0
11 DR. FRANK SCHINCO	(i)	658,062.	0	4,831.	0	0	662,893.	0
	(iii)	0	0	0	0	0	0	0
12 DR. SCOTT MARTIN	(i)	495,961.	147,636.	486.	0	0	644,083.	0
	(ii)	0	0	0	0	0	0	0
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

JSA

1E1291 1 000

010800 2817

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

SCHEDULE J, PART I, LINE 4B

THE ORGANIZATION MAINTAINS A NONQUALIFIED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP) FOR CERTAIN OF ITS EXECUTIVES. THE SERP HAS BEEN ESTABLISHED FOR THESE EXECUTIVES BY THE ORGANIZATION, FOLLOWING APPROPRIATE BOARD LEVEL REVIEW IN A MANNER INTENDED TO COMPLY WITH THE REBUTTABLE PRESUMPTION OF REASONABLENESS PROVISION UNDER IRC SECTION 4958.

SPENCER MAIDLOW - $185,317

MARK GRONDA - $269

EDWARD BRUFF - $93,846

DANIEL GEORGE - $49,512

TIM WENZEL - $79,243

JOHN KOSANOVICH - $108,950

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

THE FOLLOWING SERP AMOUNTS ARE CURRENTLY TAXABLE TO THE INDIVIDUALS LISTED AND HAVE BEEN INCLUDED IN SCH J PART II COLUMN B(III):

SPENCER MAIDLOW - $1,472,247

MARK GRONDA - $420,026

EDWARD BRUFF - $437,517

JOHN KOSANOVICH - $409,081

CAROL STOLL - $127,654

SCHEDULE K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax-Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT MEDICAL CENTER INC

Employer identification number
38-3369438

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pooled financing	
							Yes	No	Yes	No	Yes	No
A	CITY OF SAGINAW HOSP FIN AUTH	38-6004647	786744GX4	04/07/2004	39,343,085.	RETIRE 8/15/1991 BONDS		X		X		X
B	CITY OF SAGINAW HOSP FIN AUTH	38-6004647	786744HJ4	10/28/2010	76,448,883.	RETIRE 7/7/99 AND 7/12/00 BONDS		X		X		X
C												
D												

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	39,984,061.	76,458,097.		
4	Gross proceeds in reserve funds	3,743,952.			
5	Capitalized interest from proceeds	640,524.			
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	494,736.	423,626.		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds				
11	Other spent proceeds	35,104,849.	76,034,471.		
12	Other unspent proceeds				
13	Year of substantial completion	2004	2010		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III Private Business Use *(Continued)*

SCHEDULE K

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?								
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		%		%		%		%
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶		%		%		%		%
6 Total of lines 4 and 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X			X				
2 Is the bond issue a variable rate issue?		X		X				
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X				
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?	X			X				
b Name of provider	LEHMAN BROS SFI							
c Term of GIC	32.000							
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5 Were any gross proceeds invested beyond an available temporary period?		X		X				
6 Did the bond issue qualify for an exception to rebate?		X		X				

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . [X] Yes [ ] No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

INVESTMENT AMOUNTS INCLUDED IN PROCEEDS

SCHEDULE K, PART II, LINE 3

Part III Private Business Use *(Continued)* SCHEDULE K

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?								
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	%		%		%		%	
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6 Total of lines 4 and 5	%		%		%		%	
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . ☐ Yes ☐ No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

COLUMN A BOND 2004G - $39,984,061 - INCLUDES SALE PROCEEDS OF $39,343,085
PLUS DEBT SERVICE RESERVE FUND EARNINGS OF $640,976.45.

Part III Private Business Use *(Continued)* SCHEDULE K

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?								
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		%		%		%		%
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶		%		%		%		%
6 Total of lines 4 and 5		%		%		%		%
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . ☐ Yes ☐ No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

COLUMN B BOND 2010 H - $76,458,097 - INCLUDES SALE PROCEEDS OF

Part III Private Business Use *(Continued)* SCHEDULE K

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?								
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?								
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	%		%		%		%	
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6 Total of lines 4 and 5	%		%		%		%	
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
2 Is the bond issue a variable rate issue?								
3a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?								
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
4a Were gross proceeds invested in a guaranteed investment contract (GIC)?								
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?								
6 Did the bond issue qualify for an exception to rebate?								

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations ☐ Yes ☐ No

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

$76,448,883 PLUS ESCROW ACCOUNT EARNINGS $9,213.83.

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open To Public Inspection

Name of the organization
COVENANT MEDICAL CENTER INC

Employer identification number
38-3369438

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

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

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	No
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

Part II Loans to and/or From Interested Persons.

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

	(a) Name of interested person and purpose	(b) Loan to or from the organization? To	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
(1)											
(2)											
(3)											
(4)											
(5)											
(6)											
(7)											
(8)											
(9)											
(10)											
Total	. . . . . ▶ $										

Part III Grants or Assistance Benefiting Interested Persons.

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

	(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount and type of assistance
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			
(7)			
(8)			
(9)			
(10)			

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

	(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues? Yes	(e) Sharing of organization's revenues? No
(1)	MARY PICKELMAN	FAMILY OF BOARD MEMBER	64,997.	REPORTABLE COMPENSATION		X
(2)	DR. JAMIE ROSS	FAMILY OF BOARD MEMBER	318,692.	REPORTABLE COMPENSATION		X
(3)	DR. T. DAMUTH	FAMILY OF BOARD MEMBER	110,000.	REPORTABLE COMPENSATION		X
(4)						
(5)						
(6)						
(7)						
(8)						
(9)						
(10)						

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

FEES FOR SERVICES

SCHEDULE L, PART IV, COLUMN C

FEES FOR ALL SERVICES ARE AT ARM'S LENGTH MARKET RATES AND ARE CONTRACTED

IN ACCORDANCE WITH THE HOSPITAL'S CONFLICT OF INTEREST POLICY.

SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

OMB No 1545-0047

2011

Open To Public Inspection

Name of the organization
COVENANT MEDICAL CENTER INC

Employer identification number
38-3369438

Part I Types of Property

		(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1	Art - Works of art				
2	Art - Historical treasures				
3	Art - Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities - Publicly traded				
10	Securities - Closely held stock				
11	Securities - Partnership, LLC, or trust interests				
12	Securities - Miscellaneous				
13	Qualified conservation contribution - Historic structures				
14	Qualified conservation contribution - Other				
15	Real estate - Residential				
16	Real estate - Commercial				
17	Real estate - Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶(ATCH 1)		1.	285,281.	
26	Other ▶( )				
27	Other ▶( )				
28	Other ▶( )				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement 29

			Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		X
b	If "Yes," describe the arrangement in Part II			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31		X
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	32a		X
b	If "Yes," describe in Part II			
33	If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II			

Part II **Supplemental Information.** Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

ATTACHMENT 1

SCHEDULE M, PART I - OTHER NONCASH CONTRIBUTIONS

DESCRIPTION	(A) CHECK	(B) NUMBER OF CONTRIBUTIONS	(C) REVENUES REPORTED	(D) METHOD OF DETERMINING
EQUIP (SUPPORT ORG)	X	1.	285,281.	FMV
TOTAL		1.	285,281.	

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 990-EZ 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
COVENANT MEDICAL CENTER INC

Employer identification number
38-3369438

SUPPLEMENTAL INFORMATION

DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS

FORM 990, PART IV, LINE 6

COVENANT HEALTHCARE SYSTEM IS THE SOLE CORPORATE MEMBER OF COVENANT MEDICAL CENTER.

WWWWWW

DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS

FORM 990, PART VI, LINE 7A

THE CORPORATE MEMBER COVENANT HEALTHCARE SYSTEM MAY ELECT MEMBERS OF THE GOVERNING BODY.

DESCRIPTION OF DECISIONS SUBJECT TO APPROVAL BY MEMBERS, STOCKHOLDERS OR OTHER PERSONS.

FORM 990, PART VI, LINE 7B

POWERS RESERVED BY THE SOLE MEMBER. THE FOLLOWING POWERS SHALL BE RESERVED FROM THE HOSPITAL, AND/OR SHALL REQUIRE THE AFFIRMATIVE ACTION OF THE SOLE MEMBER (ACTING THROUGH ITS BOARD OF DIRECTORS) IN ORDER TO BE EFFECTIVE:

A.ALL MATTERS REQUIRING ACTION BY THE MEMBER OF A NONPROFIT CORPORATION UNDER THE LAWS OF THE STATE OF MICHIGAN;

B.THE ELECTION OF THE BOARD OF DIRECTORS OF THE HOSPITAL;

C.APPROVAL OF THE HOSPITAL BOARD'S SELECTION, OR VOTE TO TERMINATE THE PRESIDENT/CEO OF THE CORPORATION;

D.APPROVAL OF THE INITIAL ARTICLES OF INCORPORATION AND BYLAWS OF THE

Name of the organization: COVENANT MEDICAL CENTER INC

Employer identification number:

CORPORATION;

E.APPROVAL OF THE AMENDMENT OF THE CORPORATION'S ARTICLES OF INCORPORATION OR BYLAWS;

F.APPROVAL OF THE STATEMENT OF MISSION, VISION, VALUES, ROLES AND GOALS OF THE HOSPITAL, TOGETHER WITH ANY AMENDMENTS THERETO;

G.APPROVAL OF THE ANNUAL OPERATING AND CAPITAL EXPENDITURE BUDGETS AND FINANCIAL GUIDELINES OF THE HOSPITAL;

H.APPROVAL OF UNBUDGETED CAPITAL EXPENDITURES BY THE HOSPITAL IN EXCESS OF AN ANNUAL AGGREGATE PERCENTAGE OF THE TOTAL CAPITAL EXPENDITURE BUDGET FOR THE HOSPITAL AS ESTABLISHED FROM TIME TO TIME BY RESOLUTION OF THE SOLE MEMBER;

I.APPROVAL OF ALL SECURED BORROWINGS OF THE HOSPITAL, OTHER THAN BORROWINGS SECURED FROM THE SOLE MEMBER;

J.APPROVAL OF ALL UNSECURED BORROWINGS OF THE HOSPITAL, OTHER THAN FROM THE SOLE MEMBER, IN AN AMOUNT IN EXCESS OF $750,000 OR IN EXCESS OF AN ANNUAL AGGREGATE PERCENTAGE OF THE TOTAL ASSETS OF THE HOSPITAL AS ESTABLISHED FROM TIME TO TIME BY RESOLUTION OF THE SOLE MEMBER;

K.APPROVAL OF THE GUARANTEE BY THE HOSPITAL OF THE INDEBTEDNESS OF ANOTHER IN AN AMOUNT IN EXCESS OF A PERCENTAGE OF THE TOTAL ASSETS OF THE HOSPITAL AS ESTABLISHED FROM TIME TO TIME BY RESOLUTION OF THE SOLE MEMBER;

L.APPROVAL OF THE SALE, ALIENATION, EXCHANGE, LEASE OR OTHER DISPOSITION OF ASSETS OF THE HOSPITAL IN AN UNBUDGETED AMOUNT IN EXCESS OF AN ANNUAL AGGREGATE PERCENTAGE OF THE TOTAL ASSETS OF THE HOSPITAL AS ESTABLISHED FROM TIME TO TIME BY RESOLUTION OF THE SOLE MEMBER;

Name of the organization: COVENANT MEDICAL CENTER INC

Employer identification number:

M.APPROVAL OF THE ESTABLISHMENT OF ANY SUBSIDIARIES OR AFFILIATES OF THE HOSPITAL;

N.APPROVAL OF THE ADOPTION, REVOCATION OR ABANDONMENT OF ANY PLAN OF DISSOLUTION OF THE HOSPITAL, OR ANY SUBSIDIARY OR AFFILIATE OF THE HOSPITAL;

O.APPROVAL OF THE ADOPTION, REVOCATION OR ABANDONMENT OF ANY PLAN OF MERGER, CONSOLIDATION, SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS AND/OR PROPERTY OF THE HOSPITAL OR ANY SUBSIDIARY OR AFFILIATE OF THE HOSPITAL, OR ANY OTHER PLAN OF MAJOR CORPORATE CHANGE ADOPTED BY THE HOSPITAL OR ANY SUBSIDIARY OR AFFILIATE OF THE HOSPITAL; AND

P.APPROVAL OF THE SELECTION OF AUDITORS BY THE HOSPITAL.

DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990

FORM 990, PART VI, LINE 11B

MANAGEMENT PRESENTS AND REVIEWS THE 990 WITH THE BOARD FOR ITS APPROVAL PRIOR TO FILING. THE BOARD IS PROVIDED FINAL COPIES FOR REVIEW VIA THE INTERNET, ONCE APPROVED BY THE BOARD, THE FINAL 990 IS ULTIMATELY FILED WITH THE IRS.

DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST

FORM 990, PART VI, LINE 12C

THE ORGANIZATION REGULARLY AND CONSISTENTLY MONITORS AND ENFORCES COMPLIANCE WITH ITS CONFLICT OF INTEREST DISCLOSURE STATEMENTS TO ITS OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES. EACH PERSON COVERED BY

Name of the organization
COVENANT MEDICAL CENTER INC

Employer identification number

THE POLICY IS REQUIRED TO SUBMIT AND AFFIRM IN WRITING TO THE CHIEF EXECUTIVE OFFICER AN ANNUAL CONFLICT OF INTEREST DISCLOSURE STATEMENT LISTING ALL FINANCIAL INTERESTS, FAMILY AND BUSINESS RELATIONSHIPS, AND POTENTIAL CONFLICTS OF INTEREST AND PROVIDE UPDATES TO THIS AS NECESSARY. IN ADDITION, SUCH PERSONS HAVE AN OBLIGATION TO DISCLOSE THE EXISTENCE OF ANY FINANCIAL INTEREST AND ALL MATERIAL FACTS TO THE BOARD AND MEMBERS OF COMMITTEES WITH BOARD DELEGATED POWERS. POTENTIAL CONFLICTS THAT ARE IDENTIFIED ARE BROUGHT TO THE ATTENTION OF THE CHAIRMAN AND VICE CHAIRMAN OF THE BOARD. THE CHAIRMAN OF THE BOARD IS REQUIRED TO BE AWARE OF SUCH POTENTIAL CONFLICTS SO AS TO BE ABLE TO DETERMINE THE PROPER COURSE OF ACTION SHOULD A MATTER INVOLVING SUCH SITUATION ARISE THAT WOULD REQUIRE ACTION. AFTER DISCLOSURE OF A POTENTIAL CONFLICT TO THE BOARD OR COMMITTEE, SUCH PERSON IS EXCUSED AND ALL OTHER REMAINING BOARD OR COMMITTEE MAKE A DETERMINATION OF WHETHER A CONFLICT EXISTS. ANY PERSON WITH A POTENTIAL CONFLICT CAN MAKE A PRESENTATION TO THE BOARD OR COMMITTEE ON THE PROPOSED TRANSACTION, BUT MUST RECUSE HIMSELF FROM DELIBERATION AND VOTING ON THE PROPOSED TRANSACTION OR ARRANGEMENT. THE BOARD OR COMMITTEE SHALL EXPLORE WHETHER A MORE ADVANTAGEOUS TRANSACTION OR AGREEMENT WITH REASONABLE EFFORTS CAN BE ENTERED INTO WITH A PERSON OR ENTITY THAT DOES NOT HAVE A CONFLICT OF INTEREST. IF NO REASONABLE ALTERNATIVE EXISTS, THE BOARD OR COMMITTEE SHALL DECIDE WHETHER SUCH TRANSACTION IS IN THE BEST INTERESTS OF THE ORGANIZATION AND IS FAIR AND REASONABLE BEFORE MAKING ITS DECISION ON WHETHER OR NOT TO ENTER INTO THE TRANSACTION. IF THE BOARD HAS REASONABLE CAUSE TO BELIEVE THAT AN OFFICER, DIRECTOR, KEY EMPLOYEE, OR TRUSTEE FAILED TO DISCLOSE ACTUAL OR

Name of the organization
COVENANT MEDICAL CENTER INC

Employer identification number

POSSIBLE CONFLICTS OF INTERESTS, IT SHALL INFORM THE OFFICER, DIRECTOR, TRUSTEE, OR KEY EMPLOYEE OF THE BASIS FOR SUCH BELIEF AND AFFORD SAID PERSON AN OPPORTUNITY TO EXPLAIN THE ALLEGED FAILURE TO DISCLOSE. CORRECTIVE ACTION WILL BE TAKEN IF IT IS DETERMINED THAT A CONFLICT THAT WAS NOT DISCLOSED DOES EXIST.

OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN
FORM 990, PART VI, LINES 15A & 15B
EXECUTIVE SALARY RANGES ARE ESTABLISHED THROUGH IN DEPTH EXTERNAL MARKET STUDIES AND APPROVED BY THE COMPENSATION COMMITTEE. THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS REVIEWS AND APPROVES COMPENSATION CHANGES FOR VICE PRESIDENTS, AS RECOMMENDED BY THE CEO. THE COMPENSATION COMMITTEE RECOMMENDS ANNUALLY TO THE BOARD OF DIRECTORS A PERFORMANCE RATING AND COMPENSATION CHANGES FOR THE CEO. THE BOARD OF DIRECTORS ACTS ON ALL RECOMMENDATIONS FROM THE COMPENSATION COMMITTEE. THIS PROCESS WAS LAST UNDERTAKEN IN 2011.

AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY & FIN STMTS GEN PUBLIC
FORM 990, PART VI, LINE 19
THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS AVAILABLE TO THE GENERAL PUBLIC UPON REQUEST.

Name of the organization: COVENANT MEDICAL CENTER INC

Employer identification number:

AVERAGE HOURS DEVOTED PER WEEK TO RELATED ORGANIZATIONS

FORM 990, PART VII

SPENCER MAIDLOW:

COVENANT HEALTHCARE SYSTEM - 4 HOURS,

COVENANT HEALTHCARE FOUNDATION - 4 HOURS

MARK GRONDA:

COVENANT HEALTHCARE SYSTEM - 4 HOURS,

COVENANT HEALTHCARE FOUNDATION - 4 HOURS

EDWARD BRUFF:

COVENANT HEALTHCARE SYSTEM - 4 HOURS

CAROL STOLL:

COVENANT HEALTHCARE SYSTEM - 4 HOURS

DR. JOHN KOSANOVICH:

COVENANT HEALTHCARE SYSTEM - 4 HOURS

DANIEL GEORGE:

COVENANT HEALTHCARE SYSTEM - 4 HOURS

TIM WENZEL:

COVENANT HEALTHCARE SYSTEM - 4 HOURS

RECONCILIATION OF NET ASSETS

FORM 990, PART XI, LINE 5

CHANGE IN UNREALIZED INVESTMENTS	(6,233,404)
PENSION OBLIGATION ADJUSTMENT	(26,981,117)
NET ASSETS RELEASED	135,214
OTHER	241,117

Name of the organization: COVENANT MEDICAL CENTER INC

Employer identification number:

PRIOR YEAR NET ASSET ADJUSTMENT (9,666)

TOTAL ($32,847,856)

AMENDMENTS

NUMBER OF VOTING MEMBERS OF THE GOVERNING BODY AT THE END OF THE TAX YEAR

FORM 990, PART VI, LINE 1A

SPENCER MAIDLOW, PRESIDENT/CEO, WAS ADDED AS AN EX OFFICIO VOTING MEMBER TO THE BOARD OF DIRECTORS. THIS INCREASED THE NUMBER OF VOTING MEMBERS FROM 13 TO 14.

OFFICERS, DIRECTORS, TRUSTEES, KEY EMPLOYEES, AND HIGHEST COMPENSATED EMPLOYEES

FORM 990, PART VII, SECTION A, COLUMN (C)

SPENCER MAIDLOW, PRESIDENT/CEO, WAS ADDED AS AN EX OFFICIO VOTING MEMBER TO THE BOARD OF DIRECTORS.

REPORTABLE COMPENSATION FROM THE ORGANIZATION

FORM 990, PART VII, SECTION A, COLUMN (D)

A 1099-MISC WAS ISSUED BY COVENANT MEDICAL CENTER TO THE FOLLOWING MEMBERS OF THE BOARD OF DIRECTORS: JOHN JOHNSON, CULLI DAMUTH, JOHN SHELTON, SUSAN STEMLER, GREGORY LUBBEN, MORTON WELDY, GARY RUMMEL, DAVID MEYER, AND TERRY NIEDERSTADT.

Name of the organization: COVENANT MEDICAL CENTER INC

Employer identification number:

TOTAL EXPENSES - COMPENSATION OF CURRENT OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

FORM 990, PART IX, LINE 5(A) AND LINE 5(B)

PROGRAM SERVICE EXPENSES INCREASED FROM $6,958,472 TO $6,972,747 AS A RESULT OF COMPENSATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS, REPORTED IN PART VII. TOTAL EXPENSES ALSO INCREASED FROM $6,958,472 TO $6,972,747. THE TOTAL COMPENSATION TO THE BOARD OF DIRECTORS WAS $14,275.

TOTAL EXPENSES - OTHER SALARIES AND WAGES

FORM 990, PART IX, LINE 7(A) AND LINE 7(B)

PROGRAM SERVICE EXPENSES DECREASED FROM $199,630,582 TO $199,616,307 AS A RESULT OF COMPENSATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS, REPORTED IN PART VII. TOTAL EXPENSES ALSO DECREASED FROM $206,978,769 TO $206,964,494.

ATTACHMENT 1

FORM 990, PART III - PROGRAM SERVICE, LINE 4

ONE OF THE LARGEST, MOST COMPREHENSIVE HEALTH CARE FACILITIES NORTH OF METRO DETROIT, COVENANT HEALTHCARE IS PREPARED TO RESPOND TO THE DIVERSE MEDICAL NEEDS OF OUR REGION. WE OFFER A BROAD SPECTRUM OF PROGRAMS AND SERVICES RANGING FROM OBSTETRICS, NEONATAL AND PEDIATRIC CARE, TO ACUTE CARE INCLUDING CARDIOLOGY, ONCOLOGY, SURGERY AND MANY OTHER SERVICES ON THE LEADING EDGE OF MEDICINE. ALL OF OUR PROGRAMS AND SERVICES EXEMPLIFY OUR COMMITMENT TO PROVIDING QUALITY, COMPASSIONATE CARE. AS A MEDICAL

Name of the organization: COVENANT MEDICAL CENTER INC

Employer identification number:

ATTACHMENT 1 (CONT'D)

FACILITY WITH MORE THAN 600 BEDS AND A COMPLETE RANGE OF MEDICAL SERVICES, COVENANT HEALTHCARE STANDS READY TO MEET THE NEEDS OF THE 15 COUNTIES IN EAST CENTRAL MICHIGAN WE SERVE. WITH MORE THAN 20 INPATIENT AND OUTPATIENT FACILITIES, COVENANT HEALTHCARE OFFERS CONVENIENCE AND EASY ACCESS TO HIGH QUALITY CARE. THE MEDICAL CENTER PROVIDED THE FOLLOWING FOR THE FISCAL YEAR 2012: 7,266 WOMEN'S AND CHILDREN'S CASES, 8,220 CARDIOLOGY CASES, 3,967 GENRAL MEDICAL CASES, 2,640 ORTHOPEDIC CARE CASES, AND 2,610 PULMONARY CASES.

ATTACHMENT 2

990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTOR

NAME AND ADDRESS	DESCRIPTION OF SERVICES	COMPENSATION
EPIC SYSTEMS CORP PO BOX 88314 MILWAUKEE, WI 53288	IT MTC SUPPORT	1,662,127.
OWENS & MINOR 12199 COLLECTION CENTER DRIVE CHICAGO, IL 60693	EQUIPMENT SERVICE	1,132,426.
MILLER CANFIELD PADDOCK STONE PO DRAWER 640348 DETROIT, MI 48264	LEGAL SERVICES	871,391.
EXECUTIVE HEALTH RESOURCES PO BOX 822688 PHILADELPHIA, PA 19182	CONSULTING SERVICES	856,096.
ERNST AND YOUNG PO BOX 640382 PITTSBURGH, PA 15264	CONSULTING/AUDIT SVC	796,705.
	TOTAL COMPENSATION	5,318,745.

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
COVENANT MEDICAL CENTER INC

Employer identification number
38-3369438

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) COVENANT MEDICAL OFFICE II, LLC 1447 N. HARRISON SAGINAW, MI 48602	INACTIVE	MI	0	0	N/A
(2) COVENANT MACKINAW OFFICE LLC 1447 N. HARRISON SAGINAW, MI 48602	INACTIVE	MI	0	0	N/A
(3) J & F HOLDINGS, LLC 38-2640101 1447 N. HARRISON SAGINAW, MI 48602	INACTIVE	MI	0	0	N/A
(4)					
(5)					
(6)					

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to 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 entity? Yes	(g) No
(1) COVENANT HEALTHCARE FOUNDATION 38-2572154 1447 N. HARRISON SAGINAW, MI 48602	SUPPORT	MI	501(C)(3)	11 TYPE III	CHS	X	
(2) VISITING NURSE SPECIAL SERVICES 38-2762248 502 S. HAMILTON SAGINAW, MI 48602	NURSE VISITS	MI	501(C)(3)	9	CHS	X	
(3) COVENANT HEALTHCARE SYSTEM 38-3369443 1447 N HARRISON SAGINAW, MI 48602	HEALTHCARE	MI	501(C)(3)	11 TYPE II	N/A		X
(4)							
(5)							
(6)							
(7)							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to 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) COVENANT DEVELOPMENT CORP 38-2640101 1447 N. HARRISON SAGINAW, MI 48602	HEALTH SERVICES	MI	N/A	C CORP			
(2) COVENANT MEDICAL CTR OFFICE CONDO ASSN 37-1477767 1447 N. HARRISON SAGINAW, MI 48602	CONDOMINIUM	MI	N/A	C CORP	0	0	51.0000
(3) COVENANT HLTH MACKINAW FCLTY CONDO ASSOC 45-3327179 1447 N. HARRISON SAGINAW, MI 48602	CONDOMINIUM	MI	N/A	C CORP	168,011.	-249,039.	100.0000
(4) COVENANT SERVICES CORP 1447 N. HARRISON SAGINAW, MI 48602	HEALTHCARE	MI	N/A	C CORP			
(5)							
(6)							
(7)							

JSA
1E1308 1 000
010800 2817

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

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

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)	COVENANT HEALTHCARE FOUNDATION	C	285,281.	FMV
(2)	COVENANT HEALTHCARE FOUNDATION	N	450,272.	FMV
(3)	COVENANT HEALTHCARE FOUNDATION	P	171,124.	FMV
(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

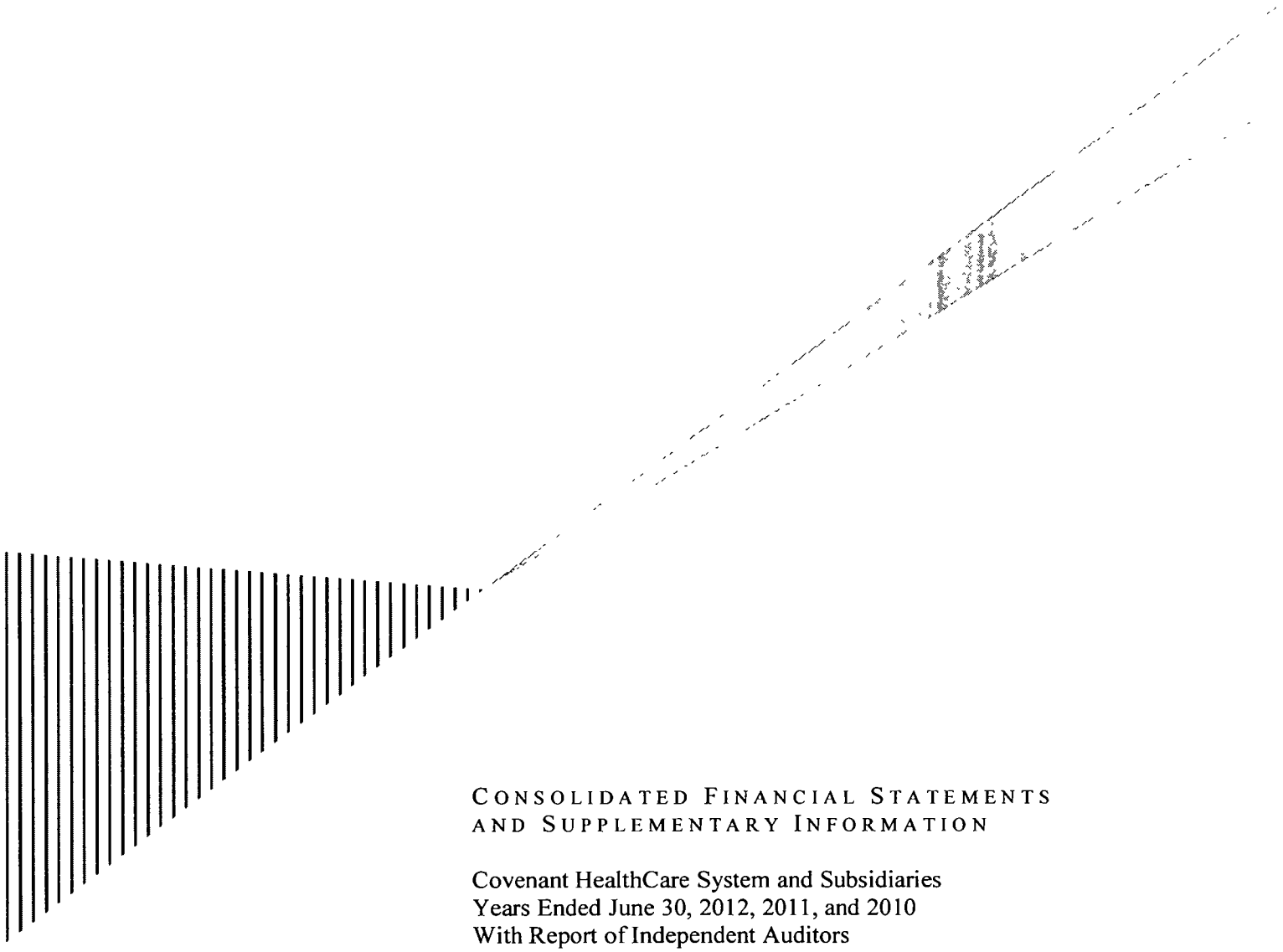
(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations? Yes	(e) No	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

JSA
1E1310 1 000

010800 2817

Part VII **Supplemental Information**

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



Consolidated Financial Statements and Supplementary Information

Covenant HealthCare System and Subsidiaries
Years Ended June 30, 2012, 2011, and 2010
With Report of Independent Auditors

Ernst & Young LLP

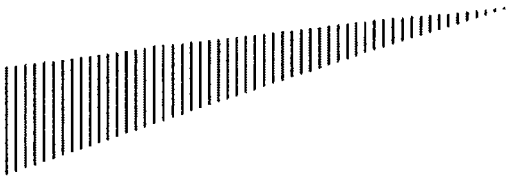
ERNST & YOUNG

Covenant HealthCare System and Subsidiaries

Consolidated Financial Statements and
Supplementary Information

Years Ended June 30, 2012, 2011, and 2010

Contents



ERNST & YOUNG

Ernst & Young LLP
One Kennedy Square
777 Woodward Avenue, Suite 1000
Detroit, Michigan 48226-5495
Tel +1 313 628 7100
Fax +1 313 628 7013
www.ey.com

Report of Independent Auditors

The Board of Directors
Covenant HealthCare System

We have audited the accompanying consolidated balance sheets of Covenant HealthCare System and subsidiaries (collectively, Covenant) as of June 30, 2012, 2011, and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for each of the three years in the period ended June 30, 2012. These financial statements are the responsibility of Covenant's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant HealthCare System and subsidiaries at June 30, 2012, 2011, and 2010, and the consolidated results of their operations and changes in net assets and their cash flows for each of the three years in the period ended June 30, 2012, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, during 2012, Covenant adopted authoritative guidance issued by the Financial Accounting Standards Board related to presentation and disclosure of the provision for doubtful accounts and professional liability losses.

Ernst & Young LLP

October 29, 2012

Covenant HealthCare System and Subsidiaries

Consolidated Balance Sheets

	June 30		
	2012	**2011**	**2010**
	(In Thousands)		
Assets			
Current assets:			
Cash and cash equivalents *(Notes 4 and 5)*	**$ 13,477**	$ 13,374	$ 17,217
Net patient accounts receivable *(Note 3)*	**51,065**	49,787	52,165
Estimated third-party receivable	**2,217**	320	312
Current portion of funds held under bond agreements	**6,145**	6,351	6,371
Inventories	**11,433**	11,990	6,849
Prepaid expenses and other	**19,055**	18,738	9,191
Total current assets	**103,392**	100,560	92,105
Assets whose use is limited, less current portion *(Notes 4 and 5)*:			
Funds held under bond agreements, less current portion	**3,750**	3,750	8,485
Temporarily or permanently restricted assets	**6,389**	6,097	5,024
Professional liability fund	**10,057**	14,041	13,328
	20,196	23,888	26,837
Other assets:			
Investments *(Notes 4 and 5)*	**236,994**	229,677	194,056
Investments in unconsolidated affiliates *(Note 11)*	**12,692**	9,809	13,164
Other	**16,699**	20,690	14,443
	266,385	260,176	221,663
Property and equipment *(Note 6)*	**175,622**	175,026	175,556
Total assets	**$ 565,595**	$ 559,650	$ 516,161

	June 30		
	2012	**2011**	**2010**
	(In Thousands)		
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	**$ 16,872**	$ 15,845	$ 16,970
Estimated third-party payable	**7,721**	6,865	10,379
Accrued compensation and related amounts	**26,212**	24,634	22,098
Accrued interest payable and other current liabilities	**6,404**	8,022	5,679
Current portion of long-term debt *(Notes 5 and 7)*	**9,134**	4,910	3,080
Total current liabilities	**66,343**	60,276	58,206
Noncurrent liabilities:			
Long-term debt, less current portion *(Notes 5 and 7)*	**101,101**	110,384	118,614
Accrued postretirement obligation *(Note 10)*	**33,145**	32,158	33,248
Accrued pension obligation *(Note 9)*	**94,735**	77,638	131,334
Other noncurrent liabilities	**32,984**	33,690	30,380
Total noncurrent liabilities	**261,965**	253,870	313,576
Total liabilities	**328,308**	314,146	371,782
Net assets:			
Unrestricted	**230,898**	239,407	139,355
Temporarily restricted	**5,720**	5,428	4,355
Permanently restricted	**669**	669	669
Total net assets	**237,287**	245,504	144,379
Total liabilities and net assets	**$ 565,595**	$ 559,650	$ 516,161

See accompanying notes

Covenant HealthCare System and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30		
	2012	**2011**	**2010**
	(In Thousands)		
Unrestricted revenue			
Patient service revenue	**$ 512,800**	$ 497,694	$ 482,273
Less provision for doubtful accounts	**(34,309)**	(33,109)	(33,163)
Net patient service revenue	**478,491**	464,585	449,110
Investment income	**246**	296	649
Realized gains	**197**	1,283	896
Other revenue	**27,515**	21,357	15,509
Total unrestricted revenue	**506,449**	487,521	466,164
Expenses			
Salaries and wages	**214,924**	205,339	194,471
Benefits	**56,471**	55,898	51,035
Professional fees	**6,528**	5,934	5,922
Supplies	**103,106**	97,927	98,350
Other purchased services	**53,047**	46,000	47,959
Other	**7,814**	7,625	6,449
Utilities	**6,038**	6,032	5,440
Insurance	**9,010**	6,786	4,996
Interest	**5,117**	5,777	6,879
Depreciation and amortization	**29,332**	27,615	28,043
Total expenses	**491,387**	464,933	449,544
Income from operations	**15,062**	22,588	16,620
Nonoperating gains (losses)			
Investment income	**5,337**	3,094	4,260
Realized and unrealized net gains on investments	**4,253**	13,001	11,055
Loss on refunding of long-term debt	**–**	(2,221)	–
Change in fair value and termination of interest rate swaps	**–**	–	3,126
Other nonoperating gains (losses)	**194**	(672)	(90)
	9,784	13,202	18,351
Excess of revenue over expenses	**24,846**	35,790	34,971

Continued on next page.

Covenant HealthCare System and Subsidiaries

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

	Year Ended June 30		
	2012	**2011**	**2010**
	(In Thousands)		
Unrestricted net assets			
Excess of revenue over expenses	**$ 24,846**	$ 35,790	$ 34,971
Change in unrealized appreciation in fair value of investments *(Note 4)*	**(6,728)**	18,585	(1,476)
Pension obligation adjustment	**(26,981)**	45,090	(55,988)
Other	**219**	38	(57)
Net assets released from restrictions for capital additions	**135**	549	47
(Decrease) increase in unrestricted net assets	**(8,509)**	100,052	(22,503)
Temporarily restricted net assets			
Contributions	**858**	983	1,017
Investment income	**215**	308	439
Change in unrealized appreciation in fair value of investments *(Note 4)*	**(215)**	528	(28)
Net assets released from restrictions for operating purposes	**(431)**	(197)	(676)
Net assets released from restrictions for capital additions	**(135)**	(549)	(47)
Increase in temporarily restricted net assets	**292**	1,073	705
Increase (decrease) in net assets	**(8,217)**	101,125	(21,798)
Net assets at beginning of year	**245,504**	144,379	166,177
Net assets at end of year	**$ 237,287**	$ 245,504	$ 144,379

See accompanying notes.

Covenant HealthCare System and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30		
	2012	2011	2010
	(In Thousands)		
Operating activities			
(Decrease) increase in net assets	$ (8,217)	$ 101,125	$ (21,798)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:			
Depreciation and amortization	29,332	27,615	28,043
Provision for uncollectible accounts	34,309	33,109	33,163
Change in unrealized appreciation in fair value of investments	6,943	(19,113)	1,504
Pension obligation adjustment	26,981	(45,090)	55,988
Change in fair value and termination of interest rate swaps	–	–	(3,126)
Restricted contributions and investment income	(1,073)	(1,291)	(1,456)
Increase in accounts receivable	(35,587)	(30,731)	(33,617)
Decrease (increase) in inventories and other current assets	240	(14,688)	3,451
Increase in investments classified as trading	–	–	26,233
Decrease in accrued pension and postretirement benefits	(8,897)	(9,696)	(1,714)
Increase in accounts payable and accrued liabilities	987	3,754	3,254
Decrease in estimated third-party payable	(1,041)	(3.522)	(2,838)
(Decrease) increase in other noncurrent liabilities	(706)	1,866	(2,926)
Net cash provided by operating activities	43,271	43,338	84,161
Investing activities			
Additions to property and equipment	(30,046)	(27,085)	(18,741)
Decrease (increase) in assets whose use is limited	206	3,682	(2,597)
(Decrease) increase in professional liability fund	3,984	(713)	2,530
Increase in investments	(14,260)	(15,435)	(63,481)
Decrease (increase) in other assets	1,077	(1,448)	(4,582)
Change in restricted net assets	(292)	(1,073)	(705)
Net cash used in investing activities	(39,331)	(42,072)	(87,576)
Financing activities			
Issuance of long-term debt	–	76,449	–
Repayments of long-term debt	(3,070)	(81,009)	(11,129)
Issuance (repayments) of note payable	(1,840)	(1,840)	9,194
Restricted contributions and investment income	1,073	1,291	1,456
Net cash used in financing activities	(3,837)	(5,109)	(479)
Increase (decrease) in cash and cash equivalents	103	(3,843)	(3,894)
Cash and cash equivalents at beginning of year	13,374	17,217	21,111
Cash and cash equivalents at end of year	$ 13,477	$ 13,374	$ 17,217

See accompanying notes

Covenant HealthCare System and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

June 30, 2012

1. Organization and Mission

Organization

Covenant HealthCare System (Covenant HealthCare or Covenant) is the sole corporate member of Covenant Medical Center, Inc. (Medical Center), Covenant HealthCare Foundation (CHF), Covenant Development Corporation (CDC), and Visiting Nurse Special Services (VNSS).

Mission

Covenant HealthCare is organized exclusively for charitable, scientific, and educational purposes. CDC is a for-profit corporation organized to further the health care services and needs of Covenant HealthCare. Covenant HealthCare and its subsidiaries provide health care services to Saginaw County and surrounding areas.

2. Significant Accounting Policies

Principles of Consolidation

All majority-owned corporations for which operating control is present are consolidated. All significant intercompany account balances and transactions have been eliminated in consolidation. Investments in entities where Covenant HealthCare owns 50% or less of an entity but has significant influence over the operating and financial policies are recorded under the equity method of accounting.

Cash and Cash Equivalents

Covenant HealthCare considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Financial Instruments

Carrying value of financial instruments classified as current assets and current liabilities approximates fair value. The fair values of other financial instruments are disclosed in the appropriate footnotes.

2. Significant Accounting Policies (continued)

Investments

Investments in equity securities with readily determinable fair values, investments in common trust funds that invest in marketable equity securities, and all investments in debt securities are measured at fair value using quoted market prices. The realized gains and losses on investments is the difference between the proceeds received and the cost determined using the average method of investment valuation.

Unrealized gains and losses on unrestricted investments considered available for sale and determined to be temporary are recorded as an addition to or deduction from unrestricted net assets.

Covenant's management continually evaluates the available-for-sale investment portfolio and evaluates whether declines in fair values should be considered other than temporary. Factored into this evaluation are general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendations of advisors, and length of time and extent to which the market value has been at less than cost.

Covenant HealthCare has investments in certain limited partnerships, including private equity investments, real estate investments, and hedge funds, which are reported using the equity method of accounting. The estimated fair value of the investments in limited partnerships are based on valuations provided by the investment managers at June 30, 2012, 2011, and 2010. The components of the individual investments within these funds may not be readily determinable. Because private equity investments, real estate partnerships, and hedge funds are not readily marketable, their estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. Such a difference could be material. Covenant HealthCare's recorded balance reflects net contributions to the partnership and an allocated share of realized and unrealized investment income and expenses.

2. Significant Accounting Policies (continued)

Patient Service Revenues and Receivables

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Estimated settlements are recorded in the period related services are rendered and adjusted in future periods as final settlements are determined. Management believes that adequate provision has been made in the consolidated financial statements for any adjustments that may result upon final settlement.

The majority of Covenant HealthCare's services are reimbursed under fixed price provisions of third-party payment programs (primarily Medicare, Medicaid, and Blue Cross and Blue Shield of Michigan). Under these provisions, payment rates for patient care are determined prospectively on various bases, and Covenant HealthCare's revenues are limited to such amounts. Payments are also received for Covenant HealthCare's capital and medical education costs, subject to certain limits. In addition, Covenant HealthCare enters into agreements with commercial insurance carriers, certain health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined per diem rates and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action, including fines, penalties, and possible exclusion from the Medicare and Medicaid programs.

The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience and current market conditions. The results of these reviews are used to make any modifications to the methodology for estimating the provision for bad debts and establishing the allowance for uncollectible receivables. After satisfaction of amounts due from insurance, Covenant HealthCare follows established guidelines for placing certain past-due patient balances with collection agencies.

2. Significant Accounting Policies (continued)

EHR Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt, implement, and demonstrate meaningfully use of certified electronic health record (EHR) technology. Covenant has adopted the grant accounting model to recognize these payments as revenue. Under this accounting policy, EHR incentive payments are recognized as revenue as management completes attestations as to adoption, implementation and demonstrating meaningful use of certified EHR technology. During the year ended June 30, 2012 and 2011, Covenant recognized as other operating revenue $5,588 and $3,006 of Medicare incentive payments, respectively. Covenant has incurred and will continue to incur both capital costs and operating expenses in order to implement certified EHR technology and meet meaningful use requirements. These expenses are ongoing and are projected to continue over all stages of implementation of meaningful use. The timing of recognizing the expenses will not correlate with the receipt of incentive payments and recognition of revenue. There can also be no assurance that we will be able to continue to demonstrate meaningful use of certified EHR technology in subsequent years.

EHR incentive payments are subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, Covenant's compliance with meaningful use criteria is subject to audit by the federal government.

Inventories

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

Property and Equipment

Property and equipment, including amounts under capital lease and internal use software, are stated at cost or estimated fair value at the date of donation and are depreciated using the straight-line method over their estimated useful lives. Estimated useful lives by asset category are as follows: land improvements – 2 to 25 years; buildings – 20 to 40 years; equipment – 3 to 20 years; and internal use software – 10 years.

2. Significant Accounting Policies (continued)

Costs incurred in connection with the development and implementation 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. Amounts capitalized are amortized over the useful life of the developed asset following project completion. Capitalized costs, net of amortization amounted to $14,801, $6,235, and $5,184 at June 30, 2012, 2011, and 2010, respectively. Amortization expenses of $985, $577, and $313 was recognized in the years ended June 30, 2012, 2011, and 2010.

Amortization

Bond issuance costs and bond discounts are amortized ratably over the term of the related debt issues.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific purpose, such as capital additions or research. When a donor restriction expires, such as through expenditure for the restricted purpose, temporarily restricted net assets are reclassified as net assets released from restrictions for operating purposes and are included in unrestricted revenue, whereas net assets released from restrictions for long-lived assets are reported as another increase in unrestricted net assets. Pledges are recorded as increases in net assets when the pledge is made.

Permanently restricted net assets are assets for which the donor has stipulated that the principal remains intact.

Excess of Revenue Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on non-trading investments, contributions of long-lived assets (including assets acquired using contributions, which by donor restriction, were used for the purposes of acquiring such assets), and pension obligation adjustments.

2. Significant Accounting Policies (continued)

Charity Care

Covenant HealthCare provides health care services free of charge or at reduced rates to individuals who meet certain eligibility criteria, based on published income poverty guidelines. Charity care may also be provided to other patients at the discretion of management. Covenant computes the cost of charity care using a cost to charge ratio methodology, which includes all direct and indirect costs.

Use of Estimates

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

Income Taxes

Covenant HealthCare and its subsidiaries, except for CDC, are Michigan nonprofit corporations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CDC is a Michigan for-profit corporation.

Reclassifications

Certain 2011 and 2010 amounts have been reclassified to conform with the 2012 presentation.

Recently Issued Accounting Standards

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-23, *Measuring Charity Care for Disclosure.* The ASU amends Accounting Standards Codification (ASC) 954 and requires entities to use cost as the measurement basis for charity care disclosures, including both direct and indirect costs. Entities also are required to disclose the method used to determine these costs, such as directly from a costing system or through an estimation process. Covenant adopted the required components of this guidance in 2012, which did not affect the amounts reported in the consolidated financial statements.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954)· Presentation of Insurance Claims and Related Insurance Recoveries*. The amendments in this ASU clarify that a health care entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. Covenant adopted ASU 2010-24 as of July 1, 2011, and the adoption of the ASU resulted in an increase in other assets and other non-current liability by $9,560, $11,441, and $9,997 at June 30, 2012, 2011, and 2010, respectively.

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities.* The provisions of ASU 2011-07 require health care entities to change the presentation of their statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Entities also are required to enhance disclosures about their policies for recognizing revenue and assessing bad debts. In addition, the guidance requires disclosure of qualitative and quantitative information about changes in the allowance for doubtful accounts. Covenant adopted the provisions of ASU 2011-07 as of and for the year ended June 30, 2012, and retrospectively applied the presentation to all years presented.

3. Net Patient Accounts Receivable and Net Patient Service Revenue

Net patient accounts receivable are summarized as follows:

	June 30		
	2012	**2011**	**2010**
Net patient accounts receivable:			
Gross patient accounts receivable	**$ 198,166**	$ 191,105	$ 184,497
Allowances and advances under contractual arrangements	**(116,350)**	(110,246)	(103,680)
Allowance for uncollectible accounts	**(30,751)**	(31,072)	(28,652)
	$ 51,065	$ 49,787	$ 52,165

Patient service revenue excludes charity care adjustments of $7,868 in 2012, $8,920 in 2011, and $8,972 in 2010. The amount of charity care provided, determined on the basis of cost, was $2,986, $3,111, and $3,580 for the years ended June 30, 2012, 2011, and 2010, respectively.

(Dollars in Thousands)

3. Net Patient Accounts Receivable and Net Patient Service Revenue (continued)

Covenant HealthCare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Significant concentrations of accounts receivable at June 30, 2012, 2011, and 2010, include net amounts due from Medicare (42%, 38%, and 36%, respectively), Medicaid (12%, 14%, and 18%, respectively), Blue Cross (23%, 21%, and 20%, respectively), and other payors (23%, 27%, and 26%, respectively).

Net patient service revenue consists of the following:

	Year Ended June 30		
	2012	**2011**	**2010**
Gross patient service revenue	**$ 1,437,693**	$ 1,349,027	$ 1,271,604
Less contractual provisions and adjustments	**924,893**	851,333	789,331
Net patient service revenue	**$ 512,800**	$ 497,694	$ 482,273

Net patient service revenue for the years ended June 30, 2012, 2011, and 2010, included amounts from Medicare (44%, 44%, and 45%, respectively), Medicaid (14%, 16%, and 16%, respectively), and Blue Cross (21%, 21%, and 22%, respectively) programs.

The excess of revenue over expense includes $4,803, $(800), and $600 related to prior year third-party settlement estimates, which have been recorded as an increase (decrease) in net patient service revenue for the years ended June 30, 2012, 2011, and 2010, respectively.

(Dollars in Thousands)

4. Investments

Investments, including cash and cash equivalents, are summarized at fair value as follows:

	June 30		
	2012	**2011**	**2010**
Cash and cash equivalents	**$ 27,302**	$ 31,156	$ 31,000
Marketable equity securities	**485**	466	315
U.S. government securities	**–**	–	14,856
Fixed income mutual funds	**48,159**	39,908	37,572
Publicly traded mutual funds	**117,390**	114,247	81,192
Common trust funds	**24,852**	28,647	26,843
Limited partnerships	**18,256**	16,978	13,689
Hedge funds	**40,310**	41,578	39,014
	$ 276,754	$ 272,980	$ 244,481

Investment return is summarized as follows:

	Year Ended June 30		
	2012	**2011**	**2010**
Interest and dividends	**$ 5,798**	$ 3,698	$ 5,348
Net realized gains	**4,450**	14,284	11,951
Change in unrealized gains and losses	**(6,943)**	19,113	(1,504)
Total investment return	**$ 3,305**	$ 37,095	$ 15,795
Included in operating income	**$ 443**	$ 1,579	$ 1,545
Included in nonoperating gains	**9,590**	16,095	15,315
Reported separately as change in unrestricted net assets	**(6,728)**	18,585	(1,476)
Change in temporarily restricted net assets	**–**	836	411
Total investment return	**$ 3,305**	$ 37,095	$ 15,795

(Dollars in Thousands)

4. Investments (continued)

Covenant invests in various financial instruments that are publicly and privately traded. Financial instruments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of operations and changes in net assets.

The gross unrealized gains and (losses) on marketable equity securities were $12,965 and $(1,303), respectively, at June 30, 2012; $21,173 and $(0), respectively, at June 30, 2011; and $3,152 and $(4,970), respectively, at June 30, 2010.

The following schedules summarize the fair value of available-for-sale investments that have gross unrealized losses (the amount by which historical cost exceeds fair value) as of June 30, 2012, 2011, and 2010, respectively. The schedules further segregate the securities that have been in a gross unrealized loss position as of June 30, 2012, 2011, and 2010, for less than 12 months and those for 12 months or longer. As of June 30, 2011, Covenant did not have any securities in a loss position. Covenant has the ability and intent to hold investments that are in a loss position until a recovery of fair value occurs.

	June 30, 2012					
	Less Than 12 Months		12 Months or Longer		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investments with unrealized losses						
Fixed income mutual funds	$ 7,496	$ (187)	$ –	$ –	$ 7,496	$ (187)
Publicly traded mutual funds	70,275	(1,116)	–	–	70,275	(1,116)
Total investments in loss position	$ 77,771	$ (1,303)	$ –	$ –	$ 77,771	$ (1,303)

	June 30, 2010					
	Less Than 12 Months		12 Months or Longer		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investments with unrealized losses						
Fixed income mutual funds	$ 6,261	$ (85)	$ –	$ –	$ 6,261	$ (85)
Publicly traded mutual funds	43,361	(4,885)	–	–	43,361	(4,885)
Total investments in loss position	$ 49,622	$ (4,970)	$ –	$ –	$ 49,622	$ (4,970)

4. Investments (continued)

ASC 820, *Fair Value Measurement*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(Dollars in Thousands)

4. Investments (continued)

The following table presents the financial instruments carried at fair value by caption on the consolidated balance sheet by the ASC 820 valuation hierarchy defined above:

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2012
At June 30, 2012				
Assets				
Cash	**$ 27,302**	**$ –**	**$ –**	**$ 27,302**
Bonds:				
Common stocks:				
U.S. companies	**485**	**–**	**–**	**485**
Mutual funds:				
U.S. large-cap	**57,668**	**–**	**–**	**57,668**
Fixed income	**48,159**	**–**	**–**	**48,159**
International fixed income	**7,496**	**–**	**–**	**7,496**
International companies	**39,587**	**–**	**–**	**39,587**
Real estate mutual fund	**12,639**	**–**	**–**	**12,639**
Total assets at fair value	**$ 193,336**	**$ –**	**$ –**	**$ 193,336**

(Dollars in Thousands)

4. Investments (continued)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2011
At June 30, 2011				
Assets				
Cash	$ 31,156	$ –	$ –	$ 31,156
Common stocks:				
U.S. companies	466	–	–	466
Mutual funds:				
U.S. large-cap	54,258	–	–	54,258
Fixed income	39,908	–	–	39,908
International fixed income	7,321	–	–	7,321
International companies	37,324	–	–	37,324
Real estate mutual fund	15,344	–	–	15,344
Total assets at fair value	$ 185,777	$ –	$ –	$ 185,777

(Dollars in Thousands)

4. Investments (continued)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2010
At June 30, 2010				
Assets				
Cash	$ 31,000	$ –	$ –	$ 31,000
Bonds:				
Investment grade	14,856	–	–	14,856
Common stocks:				
U.S. companies	315	–	–	315
Mutual funds:				
U.S. large-cap	35,308	–	–	35,308
Fixed income	37,572	–	–	37,572
International fixed income	6,262	–	–	6,262
International companies	28,542	–	–	28,542
Real estate mutual fund	11,079	–	–	11,079
Total assets at fair value	$ 164,934	$ –	$ –	$ 164,934

Following is a description of Covenant HealthCare's valuation methodologies for assets and liabilities measured at fair value: Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers, and brokers.

(Dollars in Thousands)

4. Investments (continued)

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

5. Fair Value of Financial Instruments

The following methods and assumptions were used in estimating fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts in the consolidated balance sheets for cash and cash equivalents approximate fair value.

Marketable securities: The fair values for marketable debt and equity securities are based on quoted market prices.

Long-term debt: The fair values for long-term debt are estimated using discounted cash flow analyses based on current borrowing rates for similar types of borrowing arrangements.

The carrying amounts and corresponding fair values of investments are as follows:

	June 30		
	2012	**2011**	**2010**
Cash and cash equivalents	**$ 27,302**	$ 31,156	$ 31,000
Investment securities:			
Fixed income mutual funds	**55,655**	47,229	58,690
Marketable equity securities and mutual funds	**110,379**	107,392	75,244
	$ 193,336	$ 185,777	$ 164,934

(Dollars in Thousands)

5. Fair Value of Financial Instruments (continued)

The carrying amounts and fair value of long-term debt are as follows:

	June 30		
	2012	**2011**	**2010**
Carrying amount	**$ 108,479**	$ 113,389	$ 121,259
Fair value	**113,468**	111,614	122,559

6. Property and Equipment

Property and equipment consist of the following:

	June 30		
	2012	**2011**	**2010**
Land and improvements	**$ 14,516**	$ 14,274	$ 14,211
Buildings	**209,688**	204,492	204,492
Equipment	**325,122**	295,913	272,295
	549,326	514,679	490,998
Accumulated depreciation and amortization	**(376,140)**	(346,904)	(319,595)
	173,186	167,775	171,403
Construction-in-progress	**2,436**	7,251	4,153
Property and equipment, net	**$ 175,622**	$ 175,026	$ 175,556

(Dollars in Thousands)

7. Long-Term Debt

Long-term debt consists of the following:

	June 30		
	2012	**2011**	**2010**
City of Saginaw Hospital Finance Authority:			
Hospital Revenue Refunding Bonds, Series 2010H	**$ 73,765**	$ 75,440	$ –
Hospital Revenue and Refunding Bonds, Series 2004G	**29,200**	30,595	31,925
Hospital Revenue and Refunding Bonds, Series 2000F	**–**	–	47,970
Hospital Revenue and Refunding Bonds, Series 1999E	**–**	–	32,170
Loan agreement	**5,514**	7,354	9,194
	108,479	113,389	121,259
Unamortized bond premium	**1,756**	1,905	435
	110,235	115,294	121,694
Less current portion	**9,134**	4,910	3,080
	$ 101,101	$ 110,384	$ 118,614

Covenant HealthCare entered into long-term loan agreements with the City of Saginaw Hospital Finance Authority. The loan agreements require debt payments sufficient to pay principal and interest on the bonds. Among other things, the loan agreements contain covenants that place restrictions on the amount of new debt that Covenant Healthcare can incur and the maintenance of minimum debt service coverage ratio.

7. Long-Term Debt (continued)

On October 28, 2010, Covenant issued the Series 2010H bonds. The Series 2010H bonds consist of $22,795 of serial bonds, which bear annual interest at 4.0% to 5.0% and $50,970 of term bonds, which bear annual interest at 5.0%. The serial bonds mature in amounts from $2,150 in 2013 to $1,110 in 2021. The term bonds are subject to annual redemption in amounts ranging from $2,665 in 2022 to $3,430 in 2031. The bonds are secured by a pledge of gross revenue of Covenant HealthCare. The proceeds from the Series 2010H bonds were used to refund the Series 1999E and Series 2000F bonds and to pay the expenses incurred in connection with the issuance of the Series 2010H bonds.

The Series 2004G bonds consist of $9,715 of serial bonds, which bear annual interest at 4.5% to 5.0% and $19,485 of term bonds, which bear annual interest at 5.0% to 5.125%. The serial bonds mature in amounts from $1,470 in 2013 to $3,375 in 2024. The term bonds are subject to annual redemption in amounts ranging from $1,800 in 2017 to $3,215 in 2023. The bonds are secured by a pledge of gross revenue of Covenant HealthCare. The proceeds from the Series 2004G bonds were used to refund the Series 1991C and Series 1991D bonds, to pay the expenses incurred in connection with the issuance of the Series 2004G bonds, and to fully fund a debt-service reserve fund for the Series 2004G bonds.

The Series 2000F bonds consist of $47,970 of term bonds, which bear annual interest at 6.5%. In October 2010, the Series 2000F bonds were refunded as part of the Series 2010H bond issue.

The Series 1999E bonds consist of a $1,750 serial bond and $30,420 of term bonds. In October 2010, the Series 1999E bonds were refunded as part of the Series 2010H bond issue.

A loan agreement, with an available balance of $10,300, was entered into on January 20, 2010. For the year ended June 30, 2010, draws were made in the amount of $9,200. For the years ended June 30, 2012 and 2011, payments were made in the amounts of $1,840 and $1,840, with no new draws made in 2012 or 2011. During 2010 and 2011, the annual interest rate on the note was at the three-month London Interbank Offered Rate (LIBOR) plus 125 basis points, which at June 30, 2011, was 1.81%.

(Dollars in Thousands)

7. Long-Term Debt (continued)

On July 1, 2011, the loan agreement was amended in order to remove the new draw option, extend the commitment date until June 30, 2013, and reduce the interest rate from the three-month LIBOR rate plus 125 basis points to the one-month LIBOR rate plus 125 basis points. As of June 30, 2012, the annual interest rate on the note was 1.49% (125 basis points plus a one-month LIBOR rate of 0.2432%) and the remaining principal balance on the agreement was $5,514. Quarterly principal payments of $460 are required under the amended agreement, which expires on June 30, 2013.

In May 2004, Covenant HealthCare entered into an interest rate swap basis agreement whereby Covenant paid a floating rate using the Securities Industry and Financial Markets Association Index (SIFMA) and received a floating rate based on LIBOR plus a specified number of basis points on a notional principal amount of $40,000 and a maturity of 15 years; the swap agreement was terminated in fiscal 2010. In May 2010, the swap was terminated and resulted in a nonoperating loss of $108 during the year ended June 30, 2010.

In May 2005, Covenant HealthCare entered into a forward-starting interest rate swap in which the counterparties agreed to make variable payments based on a market interest rate (index rate). Covenant terminated the agreement in January 2010 and realized a nonoperating gain of $399 during the year ended June 30, 2011.

Future maturities of long-term debt by fiscal year are summarized as follows:

Fiscal year:	
2013	$ 9,134
2014	3,790
2015	3,980
2016	4,175
2017	4,385
Thereafter	83,015
	$ 108,479

(Dollars in Thousands)

7. Long-Term Debt (continued)

Interest paid was $5,842 in 2012; $5,723 in 2011; and $6,892 in 2010. Rental expense under operating leases amounted to $5,455 in 2012; $4,234 in 2011; and $3,967 in 2010.

Future payments of noncancelable operating leases by fiscal year are summarized as follows:

Fiscal year:	
2013	$ 3,360
2014	3,049
2015	2,773
2016	2,416
2017	2,130
Thereafter	5,619
	$ 19,347

8. Professional and General Liability Losses

Covenant HealthCare maintains a self-insurance trust fund for medical malpractice claims. Under terms of the trust agreements, trust assets may be used for payment of professional liability losses, related expenses, and the cost of administering the trusts, subject to certain retention limits. Excess professional liability insurance coverage has been obtained in amounts deemed adequate by Covenant HealthCare to cover claims in excess of self-insured retention limits.

Covenant HealthCare records its estimated liabilities for damages and costs that may be awarded on claims and unreported incidents. Covenant HealthCare's estimates are based on historical experience, the evaluation of all known claims and certain incidents by Covenant's risk manager, and the evaluation of claims of substance by Covenant's professional liability legal counsel. Estimated liabilities for known incidents that may result in the assertion of additional claims and other claims that may be asserted arising from services provided to patients during the period are based upon projections by a consulting actuary. The recorded loss reserves are $19,681 at June 30, 2012, $18,169 at June 30, 2011, and $16,137 at June 30, 2010. The loss reserves are discounted using an annual discount rate of 4% at June 30, 2012, 2011, and 2010. While it is

8. Professional and General Liability Losses (continued)

possible that settlement of asserted claims and claims that may be asserted in the future could result in liabilities in excess of amounts for which Covenant HealthCare has provided, management believes that the excess liabilities, if any, would not materially affect the consolidated financial position of Covenant at June 30, 2012.

9. Pension Benefits

Noncontributory Defined Benefit Pension Plan

Prior to February 2011, approximately 34% of Covenant HealthCare's employees were covered by noncontributory defined benefit pension plans sponsored by Covenant HealthCare. Pension benefits under the plans are based on years of service and the employee's compensation during the last five years of employment.

Covenant HealthCare recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its pension plans in the consolidated balance sheets. The annual adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service costs that will be subsequently recognized as net periodic pension cost. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in unrestricted net assets.

Effective February 2011, Covenant HealthCare elected to freeze the pension benefits at the levels in place as of that date. The freezing of the defined benefit program has been accounted for as a curtailment and resulted in a reduction in unrecognized actuarial losses of $27,991 in the consolidated statement of operations and changes in net assets for the year ended June 30, 2011.

(Dollars in Thousands)

9. Pension Benefits (continued)

The following table sets forth the benefit obligation and assets of Covenant HealthCare's plans at June 30, 2012, 2011, and 2010, and components of net periodic benefit cost for the years then ended, and a reconciliation of the amounts recognized in the consolidated financial statements.

	Year Ended June 30		
	2012	**2011**	**2010**
Change in benefit obligation			
Benefit obligation at beginning of year	**$ 268,210**	$ 287,341	$ 226,298
Service cost	**132**	3,167	4,923
Plan curtailment	**–**	(27,991)	–
Plan amendment	**(600)**	–	–
Interest cost	**14,733**	15,136	15,439
Actuarial loss	**36,493**	2,365	48,753
Benefits paid	**(9,875)**	(11,808)	(8,072)
Benefit obligation at end of year	**309,093**	268,210	287,341
Change in plan assets			
Fair value of plan assets at beginning of year	**190,572**	156,007	145,261
Actual return on plan assets	**19,608**	29,071	11,049
Employer contributions	**14,053**	17,302	7,769
Benefits paid	**(9,875)**	(11,808)	(8,072)
Fair value of plan assets at end of year	**214,358**	190,572	156,007
Accrued benefit obligation	**$ 94,735**	$ 77,638	$ 131,334
Accumulated benefit obligation at end of year	**$ 306,879**	$ 266,448	$ 257,124

No plan assets are expected to be returned to Covenant during the fiscal year ending June 30, 2013.

(Dollars in Thousands)

9. Pension Benefits (continued)

The prior service cost and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during fiscal year ending June 30, 2013, in total is $7,832. Included in unrestricted net assets at June 30, 2011, are the following amounts that have not yet been recognized in net periodic pension cost:

	June 30		
	2012	**2011**	**2010**
Unrecognized prior service (credit) cost	**$ (515)**	$ 95	$ 105
Unrecognized actuarial losses	**118,239**	91,877	135,557
Total	**$ 117,724**	$ 91,972	$ 135,662

	Year Ended June 30		
	2012	**2011**	**2010**
Components of net benefit cost			
Service cost	**$ 132**	$ 3,167	$ 4,923
Interest cost	**14,733**	15,136	15,439
Expected return on plan assets	**(16,262)**	(16,302)	(16,045)
Amortization of prior service cost	**10**	10	10
Amortization of actuarial loss	**6,785**	5,285	1,592
Defined benefit plan	**5,398**	7,296	5,919
Defined contribution plan	**6,918**	5,421	3,000
Total benefit cost	**$ 12,316**	$ 12,717	$ 8,919

The weighted average discount rate used to determine the benefit obligation was 4.63% at June 30, 2012, 5.60% at June 30, 2011 and 5.56% at June 30, 2010. The assumptions used to determine the net periodic benefit cost for Covenant HealthCare's plans are set forth below:

	June 30		
	2012	**2011**	**2010**
Weighted average discount rate	**5.60%**	5.56%	6.95%
Weighted average rate of compensation increase	**3.25%**	3.25%	3.25%
Weighted average expected long-term rate of return on plan assets	**8.00%**	8.50%	8.50%

(Dollars in Thousands)

9. Pension Benefits (continued)

The investments of the plans are held by a trustee and managed in accordance with guidelines established by Covenant HealthCare. The plan assets are invested in a well-diversified portfolio designed to maximize returns without assuming undue risk. The plan uses investment managers specializing in each asset class. Plan assets are largely comprised of domestic and international equity holdings, domestic and international fixed income holdings, common trust funds, limited partnerships, and hedge funds. The performance of all managers and the aggregate asset allocation are formally reviewed on a quarterly basis.

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 Plan's 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 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 historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

The weighted average asset allocation and the target allocations for fiscal 2012, by asset category, are as follows:

	Target Allocation	Percentage of Plan Assets June 30		
	2012	2012	2011	2010
Cash and cash equivalents	1.0%	**1.2%**	1.2%	3.0%
Marketable equity securities	–	**2.0**	3.2	3.6
Fixed income	39.0	**41.6**	40.6	21.5
Publicly traded mutual funds	47.0	**43.3**	39.0	42.3
Common trust funds	4.0	**3.4**	2.8	5.4
Limited partnerships	7.0	**6.0**	6.8	6.5
Hedge funds	2.0	**2.5**	6.4	17.7

(Dollars in Thousands)

9. Pension Benefits (continued)

Information about the expected cash flows for the plans follow:

Expected employer contributions for fiscal 2013	$	13,918
Expected benefit payments:		
2013	$	12,913
2014		12,569
2015		13,121
2016		15,496
2017		14,756
2018–2020		91,420

The contribution amount above includes amounts paid to the pension trust. The benefit payment amounts above also reflect the total benefits expected to be paid from the pension trust.

Effective January 1, 2000, Covenant HealthCare instituted a defined contribution plan covering approximately 64% of its employees. Effective February 2011, all eligible Covenant employees are covered by the defined contribution plan. Employees who meet eligibility requirements specified by the plan may contribute to the plan. Covenant HealthCare matches the contributions of participating employees on the basis of percentages specified in the plan. Covenant HealthCare may also make additional contributions to eligible employees at its discretion. Expense under the defined contribution plan was $6,918, $5,421, and $3,000 for the years ended June 30, 2012, 2011, and 2010, respectively.

(Dollars in Thousands)

9. Pension Benefits (continued)

The following table presents the financial instruments for pension funds carried at fair value as of June 30, 2012, by caption on the consolidated balance sheet by ASC 820 valuation hierarchy defined above:

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2012
June 30, 2012				
Assets				
Cash	$ 2,644	$ –	$ –	$ 2,644
Mutual funds:				
U.S. large-cap	57,496	–	–	57,496
International	31,459	–	–	31,459
Fixed income	87,332	–	–	87,332
Real estate mutual fund	8,311	–	–	8,311
Common trust funds:				
International	–	7,314	–	7,314
Fixed income contracts	–	1,828	–	1,828
Real asset limited partnerships	–	–	5,411	5,411
Private equity limited partnerships	–	–	7,289	7,289
Hedge funds	–	–	5,275	5,275
Total assets at fair value	$ 187,241	$ 9,142	$ 17,975	$ 214,358

(Dollars in Thousands)

9. Pension Benefits (continued)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2011
June 30, 2011				
Assets				
Cash	$ 2,230	$ –	$ –	$ 2,230
Mutual funds:				
U.S. large-cap	42,217	–	–	42,217
International	25,664	–	–	25,664
Fixed income	75,510	–	–	75,510
Real estate mutual fund	10,455	–	–	10,455
Common trust funds:				
International	–	5,280	–	5,280
Fixed income contracts	–	1,961	–	1,961
Real asset limited partnerships	–	–	8,425	8,425
Private equity limited partnerships	–	–	6,582	6,582
Hedge funds	–	–	12,248	12,248
Total assets at fair value	$ 156,076	$ 7,241	$ 27,255	$ 190,572

(Dollars in Thousands)

9. Pension Benefits (continued)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2010
June 30, 2010				
Assets				
Cash	$ 4,492	$ –	$ –	$ 4,492
Mutual funds:				
U.S. large-cap	44,678	–	–	44,678
International	23,724	–	–	23,724
International fixed income	4,255	–	–	4,255
Fixed income	21,713	–	–	21,713
Real estate mutual fund	7,078	–	–	7,078
Common trust funds:				
International	–	8,418	–	8,418
Fixed income contracts	–	2,189	–	2,189
Real asset limited partnerships	–	–	6,491	6,491
Private equity limited partnerships	–	–	5,358	5,358
Hedge funds	–	–	27,611	27,611
Total assets at fair value	$ 105,940	$ 10,607	$ 39,460	$ 156,007

(Dollars in Thousands)

9. Pension Benefits (continued)

The following table summarizes the changes in Level 3 Pension Plan assets for the year ended June 30, 2012:

	Real Asset Limited Partnerships	Private Equity Limited Partnerships	Hedge Funds	Total
Balance July 1, 2010	$ 6,491	$ 5,358	$ 27,611	$ 39,460
Realized gains (losses)	2,771	574	(558)	2,786
Unrealized gains (losses)	429	–	2,023	2,452
Purchases	615	2,401	1,626	4,642
Sales	(1,881)	(1,750)	(18,454)	(22,086)
Balance June 30, 2011	$ 8,425	$ 6,582	$ 12,248	27,255
Balance July 1, 2011	**$ 8,425**	**$ 6,582**	**$ 12,248**	**$ 27,255**
Realized gains (losses)	**837**	**–**	**(808)**	**29**
Unrealized gains (losses)	**(247)**	**(463)**	**1,137**	**427**
Purchases	**628**	**2,448**	**–**	**3,076**
Sales	**(4,232)**	**(1,278)**	**(7,302)**	**(12,812)**
Balance June 30, 2012	**$ 5,411**	**$ 7,289**	**$ 5,275**	**$ 17,975**

(Dollars in Thousands)

10. Other Postretirement Employee Benefits

In addition to providing a pension plan, certain health care benefits are provided for retirees who meet eligibility requirements.

The following table sets forth the combined benefit obligations; the assets of Covenant HealthCare's plan at June 30, 2012, 2011, and 2010; components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the consolidated financial statements.

	Year Ended June 30		
	2012	**2011**	**2010**
Change in benefit obligation			
Benefit obligation, beginning of year	**$ 32,158**	$ 33,248	$ 29,271
Interest cost	**1,738**	1,800	1,979
Actuarial loss (gain)	**1,027**	(1,458)	3,114
Benefits paid	**(1,778)**	(1,432)	(1,116)
Benefit obligation at end of year	**33,145**	32,158	33,248
Change in plan assets:			
Fair value at beginning of year	**–**	–	–
Employer contributions	**1,778**	1,432	1,116
Benefits paid	**(1,778)**	(1,432)	(1,116)
Fair value at end of year	**–**	–	–
Accrued postretirement obligation	**$ 33,145**	$ 32,158	$ 33,248

(Dollars in Thousands)

10. Other Postretirement Employee Benefits (continued)

The actuarial income included in unrestricted net assets and expected to be recognized in net periodic postretirement cost during the fiscal year ended June 30, 2013, is $83. Included in unrestricted net assets at June 30, 2012, are the following amounts that have not yet been recognized in net periodic pension cost:

	Year Ended June 30		
	2012	**2011**	**2010**
Unrecognized actuarial gain	**$ 4,222**	$ 5,451	$ 4,052

	Year Ended June 30		
	2012	**2011**	**2010**
Components of net periodic benefit cost			
Interest cost	**$ 1,738**	$ 1,800	$ 1,979
Amortization of prior service credit	**–**	–	(394)
Amortization of actuarial gain	**(202)**	(59)	(353)
Net periodic benefit cost	**$ 1,536**	$ 1,741	$ 1,232

For measurement purposes, a 7.80% initial rate of increase in the per capita cost of covered health care benefits was assumed for 2012. The rate was assumed to decrease gradually to 4.5% in 2029 and remain level thereafter.

(Dollars in Thousands)

10. Other Postretirement Employee Benefits (continued)

The health care cost trend rate assumptions have a significant effect on the amounts reported for the health care plans. To illustrate, a one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 58	$ (55)

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

	June 30		
	2012	**2011**	**2010**
Weighted average discount rate	**5.60%**	5.56%	6.95%

Information about the expected cash flows for the other postretirement benefit plans follow:

Expected employer contributions 2013	$ 2,201
Expected benefit payments:	
FY 2013	$ 2,201
FY 2014	2,148
FY 2015	2,159
FY 2016	2,157
FY 2017	2,186
FY 2018 – 2020	12,645

The contribution amount above includes amounts expected to be paid by Covenant HealthCare. The benefit payment amounts above also reflect the total benefits expected to be paid from Covenant HealthCare's assets. As part of Covenant's retiree health plan, $1,500 per year is provided to eligible participants, based on years of service, to be used for health related expenses after retirement. This plan is frozen and has no new participants since January 2000. The plan participants also stopped accumulating years of service as of December 31, 2007.

(Dollars in Thousands)

11. Investment in Unconsolidated Entities

Investments in entities where Covenant does not have operating control are recorded under the equity or cost method of accounting. The following table summarizes Covenant's investments in unconsolidated entities:

Entity	Investment Recorded in Consolidated Balance Sheet at June 30		
	2012	**2011**	**2010**
CMU Medical Education Partners	**$ 2,649**	$ (20)	$ 4,735
Saginaw Radiation Oncology Center	**1,162**	1,368	1,384
Covenant HealthCare Partners Inc.	**944**	945	896
MMR – Mobile Medical Response	**6,039**	5,694	4,669
Mackinaw Surgery Center	**1,783**	1,743	1,451
Saginaw Valley Endoscopy	**115**	79	29
	$ 12,692	$ 9,809	$ 13,164

Effect on consolidated excess (deficit) of revenues and gains over expenses and losses for the year ended June 30:

Entity	Year Ended June 30		
	2012	**2011**	**2010**
CMU Medical Education Partners	**$ 339**	$ (490)	$ 1,409
Saginaw Radiation Oncology Center	**165**	291	258
Covenant HealthCare Partners Inc.	**–**	49	56
MMR – Mobile Medical Response	**345**	1,225	633
Mackinaw Surgery Center	**339**	379	321
Saginaw Valley Endoscopy	**114**	110	39
	$ 1,302	$ 1,564	$ 2,716

(Dollars in Thousands)

11. Investment in Unconsolidated Entities (continued)

CMU Medical Education Partners, formerly known as Synergy Medical Education, is a joint venture owned 5% by Covenant HealthCare System. Its services are providing medical education to medical residents in the area.

Saginaw Radiation Oncology Center (SROC) is a joint venture owned 33% by Covenant HealthCare System. Its services are providing high-quality cancer care to patients.

Mobile Medical Response (MMR) is a joint venture owned 50% by Covenant HealthCare System. Its services are providing emergency medical services to the area.

Mackinaw Surgery Center is a joint venture owned 50% by Covenant HealthCare System. Its services are providing surgical facility services to the area.

Saginaw Valley Endoscopy is a joint venture owned 13% by Covenant HealthCare System. Its services are providing endoscopy facility services to the area.

Following is a summary of the financial position and operating results of Covenants' investments accounted for under the equity method as of and for the year ended June 30:

	June 30		
	2012	**2011**	**2010**
Assets	**$ 37,002**	$ 37,237	$ 31,936
Liabilities	**9,496**	15,958	9,485
Equity	**$ 27,506**	$ 21,279	$ 22,451

	Year Ended June 30		
	2012	**2011**	**2010**
Revenue	**$ 75,211**	$ 65,779	$ 61,670
Expense	**70,605**	65,394	57,308
Net income	**$ 4,606**	$ 385	$ 4,362

(Dollars in Thousands)

12. Functional Expenses

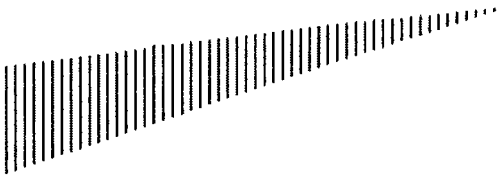
Covenant HealthCare fulfills the health requirements of residents within the communities it serves by providing, as its principal function, a complete array of health services. Expenses relating to providing these services are as follows:

	Year Ended June 30		
	2012	**2011**	**2010**
Health care services	**$ 442,836**	$ 416,288	$ 407,435
General and administrative	**48,551**	48,645	42,109
	$ 491,387	$ 464,933	$ 449,544

13. Subsequent Events

Covenant HealthCare evaluates subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued or available to be issued, for recognition in the consolidated financial statements as of balance sheet date. For the year ended June 30, 2012, Covenant evaluated the impact of subsequent events through October 29, 2012, representing the date on which the consolidated financial statements were available to be issued. No recognized or non-recognized subsequent events were identified for recognition or disclosure in the consolidated balance sheets or the accompanying notes to the consolidated financial statements, except that management recognized additional professional liability expense of $2,000 related to estimated loans.

Supplementary Information



ERNST & YOUNG

Ernst & Young LLP
One Kennedy Square
777 Woodward Avenue, Suite 1000
Detroit, Michigan 48226-5495
Tel +1 313 628 7100
Fax +1 313 628 7013
www.ey.com

Report of Independent Auditors on Supplementary Information

The Board of Directors
Covenant HealthCare System

The audited consolidated financial statements of Covenant HealthCare System and subsidiaries and our report thereon are presented in the preceding section of this report.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating balance sheet and consolidating statement of operations and changes in unrestricted net assets appearing in conjunction with the consolidated financial statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves and other 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 a whole.

Ernst & Young LLP

October 29, 2012

Covenant HealthCare System

Consolidating Balance Sheet

June 30, 2012

	Consolidated	Consolidating Adjustments	Obligated Group	Non-Obligated Group
		(In Thousands)		
Assets				
Current assets				
Cash and cash equivalents	$ 13,477	$ –	$ 12,256	$ 1,221
Net patient accounts receivable	51,065	–	51,065	–
Estimated third-party receivable	2,217	–	2,217	–
Due from affiliates	–	(89)	89	–
Current portion of funds held under bond agreements	6,145	–	6,145	–
Inventories	11,433	–	11,433	–
Prepaid expenses and other	19,055	–	18,782	273
Total current assets	103,392	(89)	101,987	1,494
Assets whose use is limited, less current portion				
Funds held under bond agreements, less current portion	3,750	–	3,750	–
Temporarily or permanently restricted assets	6,389	–	6,389	–
Professional liability fund	10,057	–	10,057	–
	20,196	–	20,196	–
Other assets				
Investments	236,994	–	224,260	12,734
Investments in unconsolidated affiliates	12,692	–	12,692	–
Other	16,699	–	13,955	2,744
	266,385	–	250,907	15,478
Property and equipment	175,622	–	172,277	3,345
Total assets	$ 565,595	$ (89)	$ 545,367	$ 20,317

	Consolidated	Consolidating Adjustments	Obligated Group	Non-Obligated Group
		(In Thousands)		
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	$ 16,872	$ –	$ 16,472	$ 400
Estimated third-party payable	7,721	–	7,721	–
Accrued compensation and related amounts	26,212	–	26,212	–
Due to affiliates	–	(89)	–	89
Accrued interest payable and other current liabilities	6,404	–	6,404	–
Current portion of long-term debt	9,134	–	9,134	–
Total current liabilities	66,343	(89)	65,943	489
Noncurrent liabilities				
Long-term debt, less current portion	101,101	–	101,101	–
Accrued postretirement obligation	33,145	–	33,145	–
Accrued pension obligation	94,735	–	94,735	–
Other noncurrent liabilities	32,984	–	32,984	–
Total noncurrent liabilities	261,965	–	261,965	–
Total liabilities	328,308	(89)	327,908	489
Net assets				
Unrestricted	230,898	–	211,070	19,828
Temporarily restricted	5,720	–	5,720	–
Permanently restricted	669	–	669	–
Total net assets	237,287	–	217,459	19,828
Total liabilities and net assets	$ 565,595	$ (89)	$ 545,367	$ 20,317

Covenant HealthCare System

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2012

	Consolidated	Consolidating Adjustments	Obligated Group	Non-Obligated Group
		(In Thousands)		
Unrestricted revenue				
Patient service revenue	$ 512,800	$ (773)	$ 512,002	$ 1,571
Less provision for doubtful accounts	(34,309)	–	(34,309)	–
Net patient service revenue	478,491	(773)	477,693	1,571
Investment income	246	–	246	–
Realized gains	197	–	197	–
Other revenue	27,515	(181)	26,687	1,009
Total unrestricted revenue	506,449	(954)	504,823	2,580
Expenses				
Salaries and wages	214,924	–	213,682	1,242
Benefits	56,471	–	56,271	200
Professional fees	6,528	–	6,288	240
Supplies	103,106	–	102,986	120
Other purchased services	53,047	–	52,567	480
Other	7,814	(954)	8,271	497
Utilities	6,038	–	5,940	98
Insurance	9,010	–	8,975	35
Interest	5,117	–	5,103	14
Depreciation and amortization	29,332	–	29,107	225
Total expenses	491,387	(954)	489,190	3,151
Income (loss) from operations	15,062	–	15,633	(571)
Nonoperating gains (losses)				
Investment income	5,337	–	5,059	278
Realized and unrealized net gains on investments	4,253	–	4,100	153
Other nonoperating gains	194	–	172	22
	9,784	–	9,331	453
Excess of revenue over expenses	24,846	–	24,964	(118)
Other changes in unrestricted net assets				
Change in unrealized appreciation in fair value of investments	(6,728)	–	(6,580)	(148)
Pension obligation adjustment	(26,981)	–	(26,981)	–
Other	219	–	219	–
Net assets released from restrictions for capital additions	135	–	135	–
Decrease in unrestricted net assets	$ (8,509)	$ –	$ (8,243)	$ (266)

Covenant HealthCare System Obligated Group

Consolidating Balance Sheet

June 30, 2012

	Obligated Group	Adjustments	Covenant Medical Center	Covenant HealthCare Foundation
		(In Thousands)		
Assets				
Current assets				
Cash and cash equivalents	$ 12,256	$ –	$ 11,997	$ 259
Net patient accounts receivable	51,065	–	51,065	–
Estimated third-party receivable	2,217	–	2,217	–
Due from affiliates	89	(131)	220	–
Current portion of funds held under bond agreements	6,145	–	6,145	–
Inventories	11,433	–	11,433	–
Prepaid expenses and other	18,782	–	18,634	148
Total current assets	101,987	(131)	101,711	407
Assets whose use is limited, less current portion				
Funds held under bond agreements, less current portion	3,750	–	3,750	–
Temporarily or permanently restricted assets	6,389	–	–	6,389
Professional liability fund	10,057	–	10,057	–
	20,196	–	13,807	6,389
Other assets				
Investments	224,260	–	215,317	8,943
Investments in unconsolidated affiliates	12,692	–	12,692	–
Other	13,955	–	13,955	–
Total other assets	250,907	–	241,964	8,943
Property and equipment	172,277	–	172,277	–
Total assets	$ 545,367	$ (131)	$ 529,759	$ 15,739

	Obligated Group	Adjustments	Covenant Medical Center	Covenant HealthCare Foundation
		(In Thousands)		
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	$ 16,472	$ –	$ 16,467	$ 5
Estimated third-party payable	7,721	–	7,721	–
Accrued compensation and related amount	26,212	–	26,212	–
Due to affiliates	–	(131)	–	131
Accrued interest payable and other current liabilities	6,404	–	6,404	–
Current portion of long-term debt	9,134	–	9,134	–
Total current liabilities	65,943	(131)	65,938	136
Noncurrent liabilities				
Long-term debt, less current portion	101,101	–	101,101	–
Accrued postretirement benefits	33,145	–	33,145	–
Accrued pension	94,735	–	94,735	–
Other noncurrent liabilities	32,984	–	32,984	–
Total noncurrent liabilities	261,965	–	261,965	–
Total liabilities	327,908	(131)	327,903	136
Net assets				
Unrestricted	211,070	–	201,856	9,214
Temporarily restricted	5,720	–	–	5,720
Permanently restricted	669	–	–	669
Total net assets	217,459	–	201,856	15,603
Total liabilities and net assets	$ 545,367	$ (131)	$ 529,759	$ 15,739

Covenant HealthCare System Obligated Group

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2012

	Obligated Group	Covenant Medical Center	Covenant HealthCare Foundation
		(In Thousands)	
Unrestricted revenue			
Patient service revenue	$ 512,002	$ 512,002	$ –
Less provision for doubtful accounts	(34,309)	(34,309)	–
Net patient service revenue	477,693	477,693	–
Investment income	246	246	–
Realized gains	197	197	–
Other revenue	26,687	26,140	547
Total unrestricted revenue	504,823	504,276	547
Expenses			
Salaries and wages	213,682	213,268	414
Benefits	56,271	56,174	97
Professional fees	6,288	6,276	12
Supplies	102,986	102,779	207
Other purchased services	52,567	52,486	81
Other	8,271	8,149	122
Utilities	5,940	5,938	2
Insurance	8,975	8,975	–
Interest	5,103	5,103	–
Depreciation	29,107	29,107	–
Total expenses	489,190	488,255	935
Income (loss) from operations	15,633	16,021	(388)
Nonoperating gains (losses)			
Investment income	5,059	4,797	262
Realized and unrealized net gains on investments	4,100	3,872	228
Other nonoperating gain	172	172	–
	9,331	8,841	490
Excess of revenue over expenses	24,964	24,862	102
Other changes in unrestricted net assets			
Change in unrealized appreciation in fair value of investments	(6,580)	(6,233)	(347)
Pension obligation adjustment	(26,981)	(26,981)	–
Net assets released from restrictions for capital additions	135	135	–
Other	219	219	–
Decrease in unrestricted net assets	$ (8,243)	$ (7,998)	$ (245)

Covenant Healthcare System Non-Obligated Group

Consolidating Balance Sheet

June 30, 2012

	Non-Obligated Group	Adjustments	Covenant HealthCare System	Covenant Development Corporation	Visiting Nurse Special Services
			(In Thousands)		
Assets					
Current assets					
Cash and cash equivalents	$ 1,221	$ –	$ 29	$ 431	$ 761
Prepaid expenses and other	273	–	–	97	176
Total current assets	1,494	–	29	528	937
Noncurrent assets					
Investments	12,734	–	8,944	1,482	2,308
Other	2,744	(7,667)	7,667	2,744	–
Total noncurrent assets	15,478	(7,667)	16,611	4,226	2,308
Property and equipment	3,345	–	–	3,343	2
Total assets	$ 20,317	$ (7,667)	$ 16,640	$ 8,097	$ 3,247

	Non-Obligated Group	Adjustments	Covenant HealthCare System	Covenant Development Corporation	Visiting Nurse Special Services
			(In Thousands)		
Liabilities and net assets					
Current liabilities					
Accounts payable and accrued expenses	$ 400	$ –	$ –	$ 341	$ 59
Due to affiliates	89	–	–	89	–
Total current liabilities	489	–	–	430	59
Net assets					
Unrestricted	19,828	(7,667)	16,640	7,667	3,188
Total net assets	19,828	(7,667)	16,640	7,667	3,188
Total liabilities and net assets	$ 20,317	$ (7,667)	$ 16,640	$ 8,097	$ 3,247

Covenant HealthCare System Non-Obligated Group

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2012

	Non-Obligated Group	Adjustments	Covenant HealthCare System	Covenant Development Corporation	Visiting Nurse Special Services
			(In Thousands)		
Unrestricted revenue					
Patient service revenue	$ 1,571	$ –	$ –	$ –	$ 1,571
Less provision for doubtful accounts	–	–	–	–	–
Net patient service revenue	1,571	–	–	–	1,571
Other revenue	1,009	852	(510)	666	1
Total revenue	2,580	852	(510)	666	1,572
Expenses					
Salaries and wages	1,242	–	–	322	920
Benefits	200	–	1	65	134
Professional fees	240	–	–	231	9
Supplies	120	–	–	77	43
Other purchased services	480	–	–	275	205
Other	497	–	–	394	103
Utilities	98	–	–	56	42
Insurance	35	–	–	28	7
Interest	14	–	–	14	–
Depreciation and amortization	225	–	–	222	3
Total expenses	3,151	–	1	1,684	1,466
(Loss) income from operations	(571)	852	(511)	(1,018)	106
Nonoperating gains (losses)					
Investment income	278	–	195	29	54
Realized and unrealized net gains on investments	153	–	143	115	(105)
Other nonoperating gain	22	–	–	22	–
	453	–	338	166	(51)
(Deficit) excess of revenue over expenses	(118)	852	(173)	(852)	55
Other changes in unrestricted net assets					
Change in unrealized appreciation in fair value of investments	(148)	157	(242)	(157)	94
(Decrease) increase in unrestricted net assets	$ (266)	$ 1,009	$ (415)	$ (1,009)	$ 149

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young
Ernst & Young is a global leader in assurance, tax, transaction and advisory services Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality We make a difference by helping our people, our clients and our wider communities achieve their potential

For more information, please visit www.ey.com