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Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Community Memorial Hospital of Menomonee Falls Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

W180 N8085 Town Hall Road

Room/suite

City or town, state or country, and ZIP + 4

Menomonee Falls, WI 53051

F Name and address of principal officer

Catherine A Jacobson

H(a) Is this a group return for affiliates?

☐ Yes

☒ No

H(b) Are all affiliates included?

☐ Yes

☒ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3)

☐ 501(c) ()

☐ (Insert no)

☐ 4947(a)(1) or

☐ 527

J Website:

www.communitymemorial.com

K Form of organization

☒ Corporation

☐ Trust

☐ Association

☐ Other

L Year of formation

1959

M State of legal domicile

WI

Part I Summary			
Activities & Governance	1	Briefly describe the organization's mission or most significant activities To improve quality of life and meet the comprehensive needs of the community by providing high-quality, safe, cost-effective health services while serving our patients with compassionate, dignified and state-of-the art care	
	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)	16
	4	Number of independent voting members of the governing body (Part VI, line 1b)	10
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	1,608
Revenue	6	Total number of volunteers (estimate if necessary)	211
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	0
	7b	Net unrelated business taxable income from Form 990-T, line 34	
		Prior Year	Current Year
	8	Contributions and grants (Part VIII, line 1h)	0
	9	Program service revenue (Part VIII, line 2g)	177,422,513
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	5,935,742
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	22,078,021
Expenses	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	205,436,276
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	50,000
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	64,494,413
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0
	b	Total fundraising expenses (Part IX, column (D), line 25)	
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	118,794,930
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	183,339,343
Net Assets or Fund Balances	19	Revenue less expenses Subtract line 18 from line 12	22,096,933
		Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	308,290,602
	21	Total liabilities (Part X, line 26)	170,021,753
	22	Net assets or fund balances Subtract line 21 from line 20	138,268,849

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

Scott R Hawig Sr VP Finance & CFO

Date

2013-05-09

Preparer's signature

Firm's name (or yours if self-employed), address, and ZIP + 4

KPMG LLP
191 W Nationwide Blvd Suite 500
Columbus, OH 43215

Date

Check if self-employed

☐

Preparer's taxpayer identification number (see instructions)

EIN

Phone no

May the IRS discuss this return with the preparer shown above? (see instructions)

☐ Yes

☒ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

To improve quality of life and meet the comprehensive needs of the community by providing high-quality, safe, cost-effective health services Our exceptional employees, volunteers and dedicated medical staff work collaboratively to serve our patients with compassionate, dignified and state-of-the art care

2

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

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

3

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

If “Yes,” describe these changes on Schedule O

4

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

4a	(Code) (Expenses \$ 92,848,449 including grants of \$) (Revenue \$ 109,547,171)
	Outpatient Services Community Memorial had 96,213 outpatient visits in the 12 months ended June 30, 2012 Community offers a wide variety of ancillary, specialty and subspecialty services including - Allergy/Immunology - Cardiology - Clinical Genetics - Dermatology - Electrophysiology - Endocrinology - Family Practice - Gastroenterology - Gerontology - Gynecologic Oncology - Gynecology - Hand Surgery - Hematology - Infectious Disease - Internal Medicine - Interventional Radiology - Magnetic Resonance Imaging - Neonatology - Nephrology - Neurosurgery - Nuclear Medicine - Occupational Medicine - Oncology - Ophthalmology - Oral Surgery - Otolaryngology - Pathology - Pediatrics - Pedodontics - Pennatology - Periodontics - Physical Medicine and Rehabilitation - Plastic/Reconstructive Surgery - Podiatry - Psychiatry - Psychology - Pulmonary Medicine - Radiology - Radiation Oncology - Rheumatology - Thoracic Surgery - Urology - Vascular Surgery
4b	(Code) (Expenses \$ 47,204,257 including grants of \$) (Revenue \$ 55,693,906)
	Inpatient Services Community Memorial Hospital was founded in 1964 by citizens of the community it serves and specializes in cardiovascular services, women's health, cancer care, and advanced surgical procedures Combining next-generation technology with personalized care, Community Memonal strives to enhance and improve the quality of life in Waukesha, Washington, Milwaukee and Ozaukee counties Community Memorial Hospital is licensed for 235 beds of which 202 are staffed - and had 8,835 patient admissions and 40,475 patient days related to a wide range of inpatient services, including women's health, behavioral health, rehabilitation services, general surgery, cardiology, orthopedics, obstetrics and maternity care, pulmonary medicine, and other specialty care for the 12 months ended June 30, 2012 The Heart and Vascular Center is staffed with experienced cardiac professionals utilizing the state-of-the-art technology to treat patients In 2008, surgeons began using the da Vinci Robotic Surgery system to perform minimally invasive procedures Minimally invasive surgery offers many advantages over traditional heart surgery, including less scarring, less pain, minimal blood loss (and less need for transfusion), a greatly reduced risk for infection, shorter hospital stay and faster return to normal activities During fiscal year 2012, Community Memorial cardiac specialists performed 14,565 cardiology procedures During the year, the Cancer Care Center at Community Memorial received the Outstanding Achievement Award from the American College of Surgeons Commission on Cancer, affirming its commitment to high-quality cancer care The award recognizes cancer programs that provide the highest quality care to cancer patients and only 66 programs nationally received this award During fiscal year 2012, Community Memonal had 584 cancer registry cases The Birthing Center at Community Memorial offers 13 specialty equipped rooms and provides the full spectrum of prenatal services for both normal and high-risk pregnancies Staffing is provided by leading obstetricians and board-certified neonatologists from the Medical College of Wisconsin During fiscal year 2012, Community Memorial had 933 births In addition to the cardiac, cancer care and birthing services, the hospital provided a variety of inpatient ancillary treatments and procedures during the fiscal year including - Surgeries 3,367 - Laboratory Tests 379,752 - CT Scans 3,701 - Medical Imaging Exams 15,302 - MRIs 719 - Nuclear Medicine Scans 369 - Ultrasounds 2,516
4c	(Code) (Expenses \$ 10,324,570 including grants of \$) (Revenue \$ 12,181,436)
	Emergency Services Community Memorial's Emergency Department is a Level III Trauma Center and provides 24/7 emergency care for adults and children throughout northern Waukesha, Milwaukee, and Washington counties During 2012, the emergency department had 20,761 emergency visits, with patients receiving expert care from board-certified emergency physicians and highly trained specialists in trauma, neurosurgery, cardiology, cardiothoracic surgery including robotic surgery, orthopaedics, respiratory, obstetrics, gynecology, psychiatry and other specialties when the need arises Community Memorial is accredited by the Joint Commission as a certified advanced Primary Stroke Center, demonstrating its ability to provide care from a multi-disciplinary team of neurologists, neurosurgeons, emergency department specialists, radiologists, nurses, therapists, pharmacists, technicians and more all working in a coordinated, collaborative system
4d	Other program services (Describe in Schedule O)
	(Expenses \$ including grants of \$) (Revenue \$)
4e	Total program service expenses \$ 150,377,276

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

Part IV

Checklist of Required Schedules (continued)

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

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

Form **990** (2011)

Part VI

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	16		
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	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed ☒ WI
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☒ Another's website ☒ Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. ☒ David Dirksmeyer N74W127501 Leatherwood Ct Menomonee Falls, WI 53051 (414) 777-0960

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Stadelmann Douglas J Dir & Secretary	1 00	X		X				0	0	0
(2) Pollard Dennis Dir & President	45 00	X		X				0	525,154	146,611
(3) Pieters Robert B Dir & Chair	1 00	X		X				0	0	0
(4) Hart Daniel Dir & Treas	1 00	X		X				0	0	0
(5) Bast Ronald R Dir & V Chair	1 00	X		X				0	0	0
(6) White MD Michael G Director	1 00	X						0	0	0
(7) Turtenwald Robyn Director	1 00	X						0	0	0
(8) Templin Susan Director	1 00	X						0	0	0
(9) Specht-Palmer Christine Director	1 00	X						0	0	0
(10) Shepherd MD Dennis W Director	1 00	X						0	0	0
(11) Petasnick William D Dir/FH CEO	1 00	X						0	6,573,439	67,765
(12) Lux Teresa M Dir/VP Pat Care	50 00	X						215,196	0	47,701
(13) Hackett MD James G Director	1 00	X						0	0	0
(14) Goldberg MD David F Dir/VP Med Afrs	50 00	X						318,793	0	80,398
(15) Ellis Sharon Q Director	1 00	X						0	0	0
(16) Becker Richard C Director	1 00	X						0	0	0
(17) Van De Kreeke Jeffrey FH CFO	1 00			X				0	339,273	102,777

Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Bestor William E Former Pres/CEO	0 00					X		1,645,153	0	19,329
(19) Evenson Rock E VP Pln & Prg Dvlp	50 00					X		200,137	0	61,464
(20) Freiberg Kerry J VP Extrnl Affairs	50 00					X		210,401	0	48,456
(21) McClure Debra Nurse Anesthetist	50 00					X		294,747	0	18,295
(22) Sanders Paul A Sr VP, Clncl Srvc	50 00					X		276,406	0	36,808
(23) Zorbini John Former - Key Employee	0 00						X	0	299,555	110,206
(24) Jacobson Catherine Former - Officer	0 00						X	0	797,937	135,753
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,160,833	8,535,358	875,563

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▶56

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

Section B. Independent Contractors

1

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

(A) Name and business address	(B) Description of services	(C) Compensation
Von Briesen & Roper 411 E Wisconsin Ave Ste 700 Milwaukee, WI 53201	Legal	1,495,015
United Dynacare 9200 W Wisconsin Ave Milwaukee, WI 53226	Lab	791,402
Medical College of WI 8701 Watertown Plank Milwaukee, WI 53206	Physicians	6,931,302
Critical Care Solutions N74W12501 Leatherwood Ct Menomonee Falls, WI 53051	Virtual ICU	568,798
Columbia St Marys 4425 N Port Washington Rd Glendale, WI 53212	Physicians	1,750,493
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶15		

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f			0			
Program Service Revenue			Business Code					
	2a	Outpatient Revenue	900099	109,547,171	109,547,171			
	b	Inpatient Revenue	900099	55,693,906	55,693,906			
	c	Emergency/Trauma Revenue	900099	12,181,436	12,181,436			
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			177,422,513			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)			4,914,373	1,742,607	3,171,766	
	4	Income from investment of tax-exempt bond proceeds . .			11,694		11,694	
	5	Royalties			0			
	6a	(i) Real		(ii) Personal				
		60,623						
		34,775						
		25,848						
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss)			25,848		25,848	
	7a	(i) Securities		(ii) Other				
		112,088,025		560,721				
		110,871,715		767,356				
		1,216,310		-206,635				
	b	Less cost or other basis and sales expenses						
	c	Gain or (loss)						
	d	Net gain or (loss)			1,009,675		1,009,675	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18						
	a	55,426						
	b	Less direct expenses		29,816				
	c	Net income or (loss) from fundraising events . .			25,610		25,610	
	9a	Gross income from gaming activities See Part IV, line 19						
a								
b	Less direct expenses							
c	Net income or (loss) from gaming activities . .			0				
10a	Gross sales of inventory, less returns and allowances							
a								
b	Less cost of goods sold							
c	Net income or (loss) from sales of inventory . .			0				
Miscellaneous Revenue		Business Code						
11a	Other Dept Operating Rev	561499	1,978,799	1,978,799				
b	Corporate Allocated Rev	561000	3,482,189	3,482,189				
c	Claims & Settlements	900099	15,562,935	15,562,935				
d	All other revenue		1,002,640			1,002,640		
e	Total. Add lines 11a-11d			22,026,563				
12	Total revenue. See Instructions			205,436,276	200,189,043		5,247,233	

Part IX

Statement of Functional Expenses

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

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	50,000	50,000		
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	639,903		639,903	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	59,457,862	55,670,891	3,626,032	160,939
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	0			
9	Other employee benefits	151,784	140,810	10,564	410
10	Payroll taxes	4,244,864	3,937,960	295,443	11,461
11	Fees for services (non-employees)				
a	Management	269,225	269,225		
b	Legal	2,872,564	2,437,792	434,772	
c	Accounting	0			
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	11,016,783	9,980,778	1,035,088	917
12	Advertising and promotion	153,600	4,190	149,410	
13	Office expenses	1,301,712	572,402	722,575	6,735
14	Information technology	408,598	60,014	347,929	655
15	Royalties	0			
16	Occupancy	3,506,159	2,878,975	621,988	5,196
17	Travel	75,718	36,096	39,393	229
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	125,965	108,684	17,111	170
20	Interest	2,446,298	2,008,703	433,970	3,625
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	8,693,380	7,138,302	1,542,194	12,884
23	Insurance	7,483	7,483		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	State Hospital Assessment	5,335,907	5,335,907		
b	Provision for Uncollectible	6,713,000	6,713,000		
c	Medical Supplies	33,781,085	33,665,809	112,477	2,799
d	Corporate Allocated Expense	37,932,736	15,365,721	22,531,814	35,201
e					
f	All other expenses	4,154,717	3,994,534	159,277	906
25	Total functional expenses. Add lines 1 through 24f	183,339,343	150,377,276	32,719,940	242,127
26	Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			7,300	1	7,295
	2	Savings and temporary cash investments			10,956,674	2	21,754,257
	3	Pledges and grants receivable, net				3	0
	4	Accounts receivable, net			27,698,357	4	24,095,637
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	0
	7	Notes and loans receivable, net			56,000	7	20,000
	8	Inventories for sale or use			3,880,289	8	4,149,959
	9	Prepaid expenses and deferred charges			2,556,770	9	2,126,284
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	173,808,774			
	b	Less: accumulated depreciation	10b	92,431,757	79,311,101	10c	81,377,017
	11	Investments—publicly traded securities			127,517,832	11	124,482,090
	12	Investments—other securities. See Part IV, line 11				12	0
	13	Investments—program-related. See Part IV, line 11				13	0
	14	Intangible assets				14	0
	15	Other assets. See Part IV, line 11			55,468,468	15	50,278,063
	16	Total assets. Add lines 1 through 15 (must equal line 34)			307,452,791	16	308,290,602
Liabilities	17	Accounts payable and accrued expenses			13,245,503	17	8,803,747
	18	Grants payable				18	
	19	Deferred revenue			6,648	19	5,940
	20	Tax-exempt bond liabilities			66,424,522	20	63,386,192
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			81,989,934	25	97,825,874
	26	Total liabilities. Add lines 17 through 25			161,666,607	26	170,021,753
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			144,898,831	27	137,302,778
	28	Temporarily restricted net assets			887,353	28	966,071
	29	Permanently restricted net assets				29	
	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			145,786,184	33	138,268,849
	34	Total liabilities and net assets/fund balances			307,452,791	34	308,290,602

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	205,436,276
2	Total expenses (must equal Part IX, column (A), line 25)	2	183,339,343
3	Revenue less expenses Subtract line 2 from line 1	3	22,096,933
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	145,786,184
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-29,614,268
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	138,268,849

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization Community Memorial Hospital of Menomonee Falls Inc	Employer identification number 39-0987025
--	--

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

Part IIIPart III

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

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

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

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

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

Part IV

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

Facts And Circumstances Test

Explanation

SCHEDULE D

(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

Part I

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

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

Part II

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2011

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

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

1a

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

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance	4,674,956	4,094,065	3,166,213		
b Contributions	265,167	1,398,548	904,863		
c Investment earnings or losses	80,003	623,704	384,524		
d Grants or scholarships	321,940	374,633	304,571		
e Other expenditures for facilities and programs	9,357	1,066,388	56,965		
f Administrative expenses		340	-1		
g End of year balance	4,688,829	4,674,956	4,094,065		

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment 100.000 %

b

Permanent endowment

c

Term endowment

3a

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

(i)

unrelated organizations

(ii)

related organizations

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

	Yes	No
3a(i)		No
3a(ii)	Yes	
3b	Yes	

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		80,711		80,711
b Buildings		101,701,573	40,471,164	61,230,409
c Leasehold improvements		1,791,466	1,611,450	180,016
d Equipment		33,041,647	22,542,545	10,499,102
e Other		37,193,377	27,806,598	9,386,779
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				81,377,017

Part XI

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

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

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
Part X	Part X FIN48 Footnote	Froedtert Health (FH) applies ASC No 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC No 740 prescribes a more likely than not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC No 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2012 and 2011, FH does not have an asset or liability recorded for unrecognized tax positions.
Part XI, Line 8	Part XI, Line 8 Other Changes in Net Assets or Fund Balances	Transfers to Affiliates \$562,357 Change in Foundation Restricted Net Assets \$787,18 Change in APBO than net periodic benefit costs \$ -226,021 74 Capital Contributions \$ -108,950 Change in Foundation Unrestricted Net Assets \$ -107 Other \$ -15,599
Part V, Line 4	Part V, Line 4 Intended uses of the endowment fund	The funds are held by Community Memorial Foundation of Menomonee Falls (CMF), a related organization. The board designated endowment was created to support long range financial needs of Community Memorial Hospital of Menomonee Falls, Inc. and its affiliates.

Additional Data

Software ID: 11000144

Software Version: 2011v1.5

EIN: 39-0987025

Name: Community Memorial Hospital of Menomonee Falls Inc

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	(b) Book value
Swap Collateral	3,617,702
Senior Management Deferred Compensation	520,601
Rounding	2
Froedtert Health Executive 457f	219,735
Executive Deferred Compensation	106,062
Due from Employees	
Due from Affiliates	445,008
Collateral held for securities loaned	33,569,426

SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

**Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19,
or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.**

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

OMB No. 1545-0047

2011

Open to Public Inspection

Name of the organization
Community Memorial Hospital of Menomonee
Falls Inc

Employer identification number

39-0987025

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- a** ☐ Mail solicitations
- b** ☐ Internet and e-mail solicitations
- c** ☐ Phone solicitations
- d** ☐ In-person solicitations
- e** ☐ Solicitation of non-government grants
- f** ☐ Solicitation of government grants
- g** ☐ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services?

☐ Yes ☒ No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization. Form 990-EZ filers are not required to complete this table.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
Total ➡						

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

Revenue			(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
			Cheery Cherry Fall Fair	Special Event Projects	1	(Add col (a) through col (c))
			(event type)	(event type)	(total number)	
	1	Gross receipts	38,398	6,828	6,781	52,007
Direct Expenses	2	Less Charitable contributions				
	3	Gross income (line 1 minus line 2)	38,398	6,828	6,781	52,007
	4	Cash prizes				
	5	Non-cash prizes				
	6	Rent/facility costs	4,944			4,944
	7	Food and beverages	2,862			2,862
	8	Entertainment	850			850
	9	Other direct expenses	7,982	5,426	5,282	18,690
10 Direct expense summary Add lines 4 through 9 in column (d) ▶						(27,346)
11 Net income summary Combine lines 3 and 10 in column (d) ▶						24,661

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

Revenue			(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming
						(Add col (a) through col (c))
Direct Expenses	1	Gross revenue				
	2	Cash prizes				
	3	Non-cash prizes				
	4	Rent/facility costs				
	5	Other direct expenses				
	6	Volunteer labor	☐ Yes _____ ☐ No	☐ Yes _____ ☐ No	☐ Yes _____ ☐ No	
	7	Direct expense summary Add lines 2 through 5 in column (d) ▶				()
	8	Net gaming income summary Combine lines 1 and 7 in column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," Explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," Explain _____

- 11**

Does the organization operate gaming activities with nonmembers?

☐ Yes ☐ No
- 12**

Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?

☐ Yes ☐ No

13

Indicate the percentage of gaming activity operated in

a	The organization's facility	13a	
b	An outside facility	13b	

14

Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name

Address

15a

Does the organization have a contract with a third party from whom the organization receives gaming revenue?

☐ Yes ☐ No

b

If "Yes," enter the amount of gaming revenue received by the organization and the amount of gaming revenue retained by the third party

\$ \$

c

If "Yes," enter name and address

Name

Address

16

Gaming manager information

Name

Gaming manager compensation

Description of services provided

☐ Director/officer

☐ Employee

☐ Independent contractor

17

Mandatory distributions

a

Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?

☐ Yes ☐ No

b

Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year

\$

Part IV

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

Identifier	ReturnReference	Explanation
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

Part I

Charity Care and Certain Other Community Benefits at Cost

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

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			1,512,065		1,512,065	0 860 %
b Medicaid (from Worksheet 3, column a)			8,024,271	4,261,470	3,762,801	2 130 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			9,536,336	4,261,470	5,274,866	2 990 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	46	12,636	1,605,333	37,544	1,567,789	0 890 %
f Health professions education (from Worksheet 5)	4	586	803,628		803,628	0 450 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	16	1,981	257,490		257,490	0 150 %
j Total Other Benefits	66	15,203	2,666,451	37,544	2,628,907	1 490 %
k Total. Add lines 7d and 7j	66	15,203	12,202,787	4,299,014	7,903,773	4 480 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development	1		3,616		3,616	
3Community support	2		8,488		8,488	
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building	1		9,094		9,094	0 010 %
7Community health improvement advocacy	1		4,165		4,165	
8Workforce development	3	176	163,339		163,339	0 090 %
9Other						
10Total	8	176	188,702		188,702	0 100 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	No
2	Enter the amount of the organization's bad debt expense	2	2,723,072
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	44,804,615
6	Enter Medicare allowable costs of care relating to payments on line 5	6	49,276,903
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-4,472,288
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☒ Cost accounting system ☐ Cost to charge ratio ☐ Other		

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

Community Memorial Hospital

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☒ A definition of the community served by the hospital facility b ☒ Demographics of the community c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☒ How data was obtained e ☒ The health needs of the community f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☒ The process for identifying and prioritizing community health needs and services to meet those needs h ☒ The process for consulting with persons representing the community's interests i ☒ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)	1 Yes	
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 Yes	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☒ Hospital facility's website b ☒ Available upon request from the hospital facility c ☒ Other (describe in Part VI)	5 Yes	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☒ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☒ Execution of the implementation strategy c ☒ Development of a community-wide community benefit plan for the facility d ☒ Participation in community-wide community benefit plan e ☒ Inclusion of a community benefit section in operational plans f ☒ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☒ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7 Yes	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8 Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000% If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 0000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☒ Income level b ☒ Asset level c ☐ Medical indigency d ☐ Insurance status e ☐ Uninsured discount f ☐ Medicaid/Medicare g ☐ State regulation h ☒ Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a ☒ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☒ The policy was available upon request g ☒ Other (describe in Part VI)	13	Yes	

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information *(continued)*

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

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

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

Part VI Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
	Part VI - Additional Information	Part V, Line 2 The last year a Needs Assessment was conducted at Community Memorial Hospital of Menomonee Falls was 2012

Identifier	ReturnReference	Explanation
	Part V - Explanation of Number of Facility Type	Community Memorial Hospital is the only facility listed under this reporting of the IRS Form 990, Schedule H

Identifier	ReturnReference	Explanation
	Part VI - States Where Community Benefit Report Filed	WI

Identifier	ReturnReference	Explanation
	Part VI - Affiliated Health Care System Roles and Promotion	Every year, the Froedtert Health partners engage in a variety of outreach activities in collaboration with key leaders and organizations in their communities that help improve health and quality of life. Much more than the provision of charity care, the American Hospital Association defines community benefit as "promoting and protecting the health and well-being of the entire community through responsive programs and services." In FY2012, Froedtert, Community Memorial and St. Joseph's Hospitals made significant investments in the health of their communities. Patients who couldn't pay for their medical care received more than \$49.2 million in uncompensated services. Beyond providing care for the poor, we contributed \$76.7 million to improve access to care, teach future healthcare professionals, develop new medical therapies and participate in local partnerships aimed at reducing health disparities. Froedtert Health members develop community benefit strategies and goals based on the unique needs of each of their communities. By conducting regular community needs assessments that monitor critical public health issues, and actively seeking community input, the hospitals have built important local relationships that provide meaningful outreach programs that link each hospital to their neighbors and patients. As a not-for-profit health system, Froedtert Health reinvests its surplus funds back into the community through programs to serve the poor and uninsured, teach future healthcare professionals, develop new medical therapies, manage chronic conditions like diabetes through health education and promotion initiatives, and participate in local partnerships aimed at reducing health disparities. For more information about Froedtert Health, visit www.froedterthealth.org .

Identifier	ReturnReference	Explanation
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	The Community Outreach Steering Committee (COSC) which is a subcommittee of the hospital's Board of Directors actualizes the mission of Community Memorial Hospital (CMH) through community benefit activities that improve the quality of life and enhance wellness resources which meet identified comprehensive health needs of the communities served The Community Outreach Steering Committee is appointed annually by the hospital president and is advisory to the CMH Board and Administration Membership appointments are made each June with members serving one year terms The COSC meets quarterly and is composed of hospital and board representatives plus community members representing the various constituencies of the total service area Functions include - o Provide a leadership role in advocating community wide responses to health care needs in the community - o Facilitate and support community and health care partnerships - o Envision, assess and guide new community benefit opportunities - o Identify and describe unmet health needs - o Promote universal access to health care - o Determine allocation of the Community Outreach Services Fund which awards \$50,000 annually towards area non-profits efforts to improve health disparities focused on Access to Care, Mental Health/AODA, Chronic Disease Management and Prevention and Wellness in the communities CMH serves - o Annually submit a community benefit report, which describes the scope of community benefit provided directly and in collaboration with others Addressing Need s Through Targeted Outreach Community Memorial Hospital develops and executes community outreach programming and activities based on identified community health needs Since 1990, CMH conducts needs assessments every three to four years in order to determine priorities and strategies in addressing community health disparities Every needs assessment cycle, CMH Community Outreach staff along with the hospital's Community Outreach Steering Committee develops a community benefit plan which is incorporated into the hospital's overall strategic plan to address the most critical needs in the communities we serve The plan is reviewed annually by the Community Outreach Steering Committee CMH Community Outreach staff, leaders and external community partners work collaboratively to develop key goals and strategies to address community health needs Progress towards community outreach programs/activities and goals are reported quarterly through the Community Outreach Steering Committee and the Board of Directors Based on the results from the 2012 Community Health Needs Assessment, programs and activities are focused around the following identified health needs - Access to Primary and Specialty Care - Mental Health/AODA - Chronic Disease Management - Prevention and Wellness For more information on specific community outreach efforts, please refer to the 2012 Community Memorial Hospital Community Benefit Report by going to www.froedterthealth.org/community-memorial-benefit-report Drug Collection As part of our commitment to improve the quality of life in our community, Community Memorial Hospital partnered with Waukesha County Drug Free Communities Coalition to host four drug collections since October 2009 At the collections, area residents dropped off over 3,000 pounds of prescription and over-the-counter medications Close to 2,000 area households participated in the collections This year alone close to 20 staff contributed over 150 hours of their time to make the collections possible Flu Clinics Community Memorial Hospital offers flu clinics for the public as part of its commitment to keep the community healthy During the fall of FY12, over 100 people were immunized at the six area clinics amounting to a community benefit of close to \$8,000 Each of the clinics was staffed by hospital pharmacists who were certified by the state to give immunizations Athletic Trainer When athletes at Menomonee Falls and Germantown High Schools prepare to compete, there is a Certified Athletic Trainer with them every step of the way This service is provided by experienced athletic trainers from Community Memorial Hospital The trainers work at the school each day, working evenings as well as Saturdays to provide training room, practice and event coverage They prepare the athlete for their activities, which might include stretching, taping and treatment as needed United Way Employee Giving Campaign Community Memorial Hospital collaborates with United Way of Waukesha County to address community needs in the areas of meeting basic needs, developing self-reliance, strengthening communities, and community support Community Memorial Hospital hosts an annual workplace giving campaign to support all local United Ways Over 150 hours were spent coordinating the FY12 campaign In addition to an employee campaign, Community Memorial Hospital matches donations up to \$10,000 We also have a staff member that dedicated 50 hours to the United

Identifier	ReturnReference	Explanation
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	d Way of Waukesha County's Leadership and Governance Committee and Executive Committee Community Health & Wellness Initiative Froedtert Health Community Memorial Hospital's on-campus garden is providing produce to members of the local community who may not readily have access to fresh vegetables A community health survey conducted by the hospital in 2011 identified a need for affordable and healthy nutrition options for people who use Community Outreach Health Clinic and clients of area food pantries The garden project is a great way to help those who have chronic conditions access nutritious vegetables through the hospital's community partners This fall's harvest, which included tomatoes, cucumbers, zucchini , peppers and beans, was distributed directly to patients who use the outreach clinic and Sussex, Germantown and Menomonee Falls food pantry clients Over 540 pounds of produce was donated this season Community Outreach Health Clinic The Community Outreach Health Clinic is a facility where people can seek medical care The clinic serves people who do not have medical insurance or the ability to pay for medical care The clinic provides quality, limited medical care with dignity and confidentiality using the services of volunteer professional staff In Fiscal Year 2012, the clinic served 2,550 individuals representing a 10% increase compared to the prior fiscal year Community Health Screenings Community Memorial Hospital offers free blood pressure, skin cancer and sports injury screenings With the goal to empower people and the community to make better decisions and take actions to improve and maintain their health, our community health screenings provide much needed access to services for many of our community members In Fiscal Year 2012, Community Memorial Hospital conducted health screenings for close to 200 people Bobbie Nick Voss Colonoscopies Thanks to support of the Bobbie Nick Voss Charitable Foundation, Community Memorial was able to provide free colonoscopies to 20 at-risk individuals without health insurance Funding from the grant allowed Community Memorial's community health educator to raise awareness about colorectal cancer and the importance of early detection at 28 public events - including flu clinics, health fairs, community events and senior forums Leadership Quality Indicator As an indication of the Community Memorial executive team's commitment to the community, 75 hospital leaders provided more than 1,000 hours of support to local initiatives, not-for-profit organizations and community events Subsidized Transportation Program The Subsidized Medical Transportation Program at Community Memorial Hospital provides transportation to and from the hospital service locations for eligible persons who have difficulty arranging their own transportation and lack the financial resources to purchase transportation In 2012, Community Memorial provided 783 free or subsidized rides to 500 people who needed transportation to receive their health care Community Outreach Steering Committee Grants Community Memorial's commitment includes grants to local not-for-profit organizations that support community health improvement efforts focused on access to primary care, chronic disease management, mental health and prevention and wellness in the hospital's service area In 2012, seven local non-profit organizations received grants totaling \$50,000 from the Community Outreach Steering Committee Health Care Career Academy The Healthcare Career Academy provides qualified students entering their junior or senior year at Menomonee Falls High School, Germantown High School and Sussex Hamilton High School with the opportunity to expand their knowledge base as it relates to a wide array of professional healthcare career options The three-week program allows students to shadow and learn from professionals in various clinical and ancillary departments throughout the hospital Through observation, hands-on experience and classroom

Identifier	ReturnReference	Explanation
	Part VI - Community Building Activities	To promote the health of our communities, Community Memorial Hospital participates in community building activities which are not included elsewhere on Schedule H. These activities include: 1. Economic Development: participation in local chamber of commerce boards focused on economic development. 2. Community Support: participation in local emergency preparedness and youth focused coalitions. 3. Coalition Building: participation in local community groups and coordination of fundraising for the local United Ways. 4. Community Health Improvement Advocacy: participation in creating the community health improvement plan with the local health department. 5. Workforce Development: diversity training that recruits health professionals in our traditionally underserved community.

Identifier	ReturnReference	Explanation
	Part VI - Community Information	Since its founding in 1964 by the citizens of the community it serves, Community Memorial Hospital (CMH) has focused on the emerging healthcare and wellness needs of over 400,000 people in the four county region of Waukesha, Washington, and northwest Milwaukee Counties. Based on the US Census data, the population served by CMH is 77% Caucasian, 16% African American, 3% Asian, and 4% other races. 45% of households have a household income less than \$50,000. 7% of the population does not have a high school diploma with 28% whose highest education level is a high school diploma. 34% of the population has a Bachelor's Degree or higher education. The most common occupations for our population is 19% manufacturing, 15% sales/office and 13% health care.

Identifier	ReturnReference	Explanation
	Part VI - Patient Education of Eligibility for Assistance	Community Memorial Hospital informs and educates patients regarding financial assistance and government program eligibility in a number of ways. Its communication efforts also address special needs of patients and their families, such as hearing or visual impairment or language interpretation. Information on hospital-based financial support policies and government programs are made available to patients during the pre-registration and registration processes through brochures, signage and direct contact with financial counselors, social workers / case managers and registration staff. Patient billing statements also inform patients that financial assistance is available. The Community Memorial Hospital website contains information regarding pricing, how to understand your hospital bill, and how to apply for Financial Assistance. Community Memorial Hospital has made financial assistance forms and information available in Spanish. Financial counselors screen uninsured patients for government program eligibility and social services staff are available to assist patients with enrollment processes. Patients who are uninsured, those covered by government programs and those with limited financial means may also be eligible for charity care or discounts through the Hospital's financial assistance program. Financial counselors make every effort to determine a patient's eligibility prior to or at the time of admission or service. However, determination for financial assistance can be made during any stage of the patient's stay after stabilization, or the collection cycle.

Identifier	ReturnReference	Explanation
	Part VI - Needs Assessment	In February, 2012 Froedtert Health Community Memorial Hospital collaborated with JKV Research, LLC along with Aurora Health Care, Children's Hospital of Wisconsin, Columbia St Mary's Health System, ProHealth Care, Wheaton Franciscan Healthcare, Washington County Health Department and Waukesha County Health Department to conduct a Community Health Needs Assessment (CHNA) in Washington and Waukesha Counties. The research from the needs assessment provides valuable behavioral data, lifestyle habits, and the prevalence of risk factors and disease conditions of Waukesha County residents. CHNA Overview/Objectives - o Gather data on behavioral and lifestyle habits of the adult population and household-level data - o Gather data on the prevalence of risk factors and disease conditions of the adult population - o Compare health data of residents to previous health studies - o Compare health data to national and state measurements CHNA Methodology - o 18 minute telephone survey of area residents - o 400 completions from February 21 through April 3, 2012 - o Two-fold sampling 1) RDD landline sample of listed & unlisted #s (n=300) - o Respondents randomly selected based on number of adults in household - o Weighting based on number of adults and number of residential phone numbers in household 2) Cell phone only sample (n=100) - o Adult answering the phone designated as the respondent - o All data post-stratified by age and gender of adult residents as of 2010 Census proportions - o Margin of error: 5% The full report of the findings can be found at www.communitymemorial.com. In addition to the Washington/Waukesha County Community Health Needs Assessments, Community Memorial Hospital conducted key informant interviews with 35 individuals representing school district representatives, public health officials, non-profit health and human service professionals, churches, police/fire departments, free clinics and business professionals throughout Waukesha and Washington Counties. Following extensive interviews with key community stakeholders, findings from the assessment were categorized into eight areas: Access to Primary and Specialty Care, Chronic Disease Management, Mental Health Services, Prevention and Wellness, Alcohol, Drug, Tobacco, Abuse, Dental Services, Transportation and Other. Of those eight health needs categories, four were identified as the focus for community outreach activities in 2012 through 2016 based on select criteria: Community Health Priorities, Disproportionate Unmet Needs, Public Health Concerns and Scope of Services. The most critically documented health needs were identified: - Access to Primary and Specialty Care - Mental Health - AODA - Prevention and Wellness - Chronic Disease Management In April 2011, Community Memorial Hospital Community Outreach Staff participated in the Waukesha County Public Health Department's Community Health Improvement Planning Process (CHIPP). The CHIPP consists of a steering committee representing all health systems in Waukesha County as well as representation from area non-profit health and human service agencies. The steering committee's role is to determine the top health priorities in the county and create an implementation plan to address community and health needs for Waukesha County Public Health Department to execute in 2012 - 2016. Through the work of the CHIPP Steering Committee, the following priorities have been determined: - Access to Care - Mental Health - AODA Implementation plans are currently being developed for the three priority areas and will be presented for adoption/implementation at the February 2013 Waukesha County Board Meeting.

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 0	Part V, Line 13g - Other Means Hospital Facility Publicized the Policy	Community Memorial Hospital's Community Benefit Fact Sheet, which is available on its website and distributed to community stakeholders, includes highlights of Froedtert Health's financial assistance and billing highlights

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 0	Part V, Line 11h - Other Factors Used in Determing Amounts Charged Patients	Out of Pocket Maximum Discount

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 0	Part V, Line 5c - Description of Making Needs Assessment Widely Available	The Community Health Needs Assessments for both Waukesha and Washington Counties are available through Community Memorial Hospital's website at www.communitymemorial.com and is also shared with hospital partners and supporting agencies

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 0	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	Washington County Health Needs Assessment Collaboration JKV ResearchFroedtert Health Froedtert Health Community Memorial HospitalAurora Health CareColumbia St Mary's Health SystemChildren's Hospital of WisconsinWashington County Public Health DepartmentWaukesha County Health Needs Assessment Collaboration JKV ResearchFroedtert Health Froedtert Health Community Memorial HospitalAurora Health CareColumbia St Mary's Health SystemProHealth CareWheaton Franciscan HealthcareWaukesha County Public Health Department

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 3 - Account Input from Person Who Represent the Community	In fiscal year 2012 and in partnership with the Washington County/Waukesha County Community Health Needs Assessment, the following individuals/agencies were consulted to provide feedback on identified community health needs Addiction Resource Council of Waukesha County - Claudia Roska, Executive Director Albrecht Free Clinic - Jenny Zaskowski, Executive Director Community Outreach Health Clinic at Community Memorial Hospital - Linda Smith, APNP Falls Area Community Services - Kathy Wodushek, Executive Director Germantown Area Chamber of Commerce - Lynn Grgich, Executive Director Village of Germantown Fire Department - Mathew Karpinski, Captain Germantown Police Department - Peter Hoell, Police Chief Germantown Park & Recreation Department - Brett Altergott, Park and Recreation Director Germantown School District - Cindy Dieringer, District Nurse Gloria Dei Lutheran Church - Julie Pekarske, Parish Nurse Hartford Jt 1 School District - Joan Schultz, Pupil Service Administrator Hartford Parks and Recreation Department - Mike Herman, Director Hope Network Inc - Laura Hensel, Director Interfaith Caregivers of Washington County - Debbie Genthe, Executive Director Interfaith Senior Programs Waukesha County - Margaret Cory, Mobility Manager Menomonee Falls Chamber of Commerce - Toni Yates, Executive Director Menomonee Falls Community Education & Recreation Department - Joan Erickson, Director Menomonee Falls Fire Department - Jeff Hevey, Fire Chief Menomonee Falls Police Department - Anna Ruzinski, Police Chief Menomonee Falls School District - Julie Italiano-Thomas, District Nurse Pregnancy Support Connection - Nancy Major, Executive Director St Boniface Food Pantry - Charlene Matson, Coordinator St Paul's United Church of Christ - Laura Blanco, Pastor Stillwaters Cancer Support Services - Theresa Reagan, Executive Director Sussex Area Chamber of Commerce - Kahtryn Wagner, Executive Director Sussex Area Outreach Services - Aaron Schmalze, Executive Director Sussex Hamilton School District - Kristin Hasbrook, Student Assistance Program Coordinator Tri-County YMCA in Menomonee Falls - Geoff Mertens, Center Executive University of Wisconsin Extension Washington County - Marma McIntee, Family Living Coordinator Washington County Mental Health Department - Jim Strachota, Director Washington County Public Health Department - Linda Walter, Health Officer Waukesha County Community Dental Clinic - Renee Ramirez, Executive Director Waukesha County Mental Health Department - Mike DeMares - Manager Waukesha County Public Health Department - CHIPP Subcommittee

Identifier	ReturnReference	Explanation
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	In alignment with the Froedtert Health financial assistance policy regarding the billing, collection and support for patients with payment obligations, Community Memorial Hospital makes every effort to adhere to the policy and is committed to implementing and applying the policy for assisting patients with limited means in a professional, consistent manner. Staff members who work closely with patients (including those working in patient registration and admitting, financial assistance, customer service, billing and collections) are trained regularly about these policies with an emphasis on treating all patients with dignity and respect regardless of their insurance or their ability to pay for services.

Identifier	ReturnReference	Explanation
	Part III, Line 8 - Explanation Of Shortfall As Community Benefit	Community Memorial Hospital believes that all of the \$4,472,288 shortfall should be considered as community benefit The IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients Medicare shortfalls must be absorbed by the hospital in order to continue treating the elderly in our community The hospital provides care regardless of this shortfall and thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries

Identifier	ReturnReference	Explanation
	Part III, Line 4 - Bad Debt Expense	Community Memorial Hospital reports accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. Community Memorial Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions and trends. The ratio of patient care cost to charges is applied to the bad debt attributable to patient accounts to calculate the estimated cost of bad debt attributable to patient accounts that is reported on line 2. Discounts and payments on patient accounts are recorded as an adjustment to revenue, not bad debt expense. As a not-for-profit, patient care is provided to all, regardless of ability to pay for that care. Making quality patient care available to all in our community, regardless of their economic means, qualifies bad debts as a community benefit.

Identifier	ReturnReference	Explanation
	Part I, Line 7, Column F - Explanation of Bad Debt Expense	O ur total expense from Form 990, Part IX, line 25, column (A) was \$183,339,343 The bad debt expense included in this amount was \$6,713,000 This left us with a total expense of \$176,626,343 for the purposes of calculating line 7, column (f)

Identifier	ReturnReference	Explanation
	Part I, Line 7 - Explanation of Costing Methodology	Charity Care and certain other community benefits costs were determined by using internal information to reduce the various activities to cost We try to present cost information consistently in the different venues that it appears

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

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

2011

Open to Public Inspection

Name of the organization
Community Memorial Hospital of Menomonee
Falls Inc

39-0987025

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed

[illegible]

- | | | |
|----------|---|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table | 7 |
| 3 | Enter total number of other organizations listed in the line 1 table | 0 |

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
Grantmaker's Description of How Grants are Used		Organizations submit grant requests to the Community Outreach Steering Committee (the Committee) On a quarterly basis the fund allocations are determined Each organization selected for funds receives an award letter detailing the expectations and conditions of the grant money In order to comply with applicable tax laws, regulations and the Community Outreach Services Fund policy, the Community Outreach Services Fund will provide grant support to organizations with the understanding that 1) Grant funds distributed will be used only for the purposes designated in the award letter 2) No funds will be used for any political campaign or to support attempts to influence legislation of any governmental body 3) If the organization loses exempt status, any unexpended funds will be returned to the Community Outreach Steering Committee 4) Adequate accounting records of the expenditures of funds will be maintained by the organization 5) This is a one time grant distribution Future funding requests will be considered on a case by case basis In addition, the Committee includes a "Final Report Form" with each organization's award letter The form requires the organization to provide a brief description of the activity and measurable outcomes/benefits, an expenditure report, and future plans The Committee requests that each organization submit the "Final Report Form" to the Committee within thirty days after the completion of the project for which the funds were intended or within a maximum of one year from the receipt of funds

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization

Community Memorial Hospital of Menomonee Falls Inc

Employer identification number

39-0987025

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 idemnification and gross-up payments ☒ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		No
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?	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	☒ Compensation committee ☒ Written employment contract ☒ Independent compensation consultant ☒ Compensation survey or study ☐ Form 990 of other organizations ☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?		No
b	Any related organization?		No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?		No
b	Any related organization?		No
	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	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		No

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Zorbin John	(i) (ii)	192,008	8,817	98,730	94,954	15,252	409,761	62
(2) Van De Kreeke Jeffrey	(i) (ii)	259,313	58,221	21,739	85,447	17,330	442,050	
(3) Sanders Paul A	(i) (ii)	174,886	66,101	35,419	14,032	22,776	313,214	
(4) Pollard Dennis	(i) (ii)	402,248	96,197	26,709	120,442	26,169	671,765	
(5) Petasnick William D	(i) (ii)	769,113	672,530	5,131,796	15,925	51,840	6,641,204	4,891,208
(6) McClure Debra	(i) (ii)	269,226	5,602	19,919	5,716	12,579	313,042	
(7) Lux Teresa M	(i) (ii)	161,036	37,214	16,946	37,584	10,117	262,897	674
(8) Jacobson Catherine	(i) (ii)	629,796	163,401	4,740	110,234	25,519	933,690	
(9) Goldberg MD David F	(i) (ii)	254,476	55,858	8,459	50,111	30,287	399,191	
(10) Freiberg Kerry J	(i) (ii)	169,904	32,002	8,495	37,086	11,370	258,857	137
(11) Evenson Rock E	(i) (ii)	153,343	27,971	18,823	37,233	24,231	261,601	162
(12) Bestor William E	(i) (ii)	14,329		1,630,824		19,329	1,664,482	1,440,599

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
Sch J, Part III, Additional Information	Part III, Additional Information	Part II, Column (B)(ii) Bonus and incentive compensation amounts include incentive compensation and amounts paid to individuals in lieu of participation in 457 (f) deferred compensation plan for the purchase of benefits.
Sch J, Part I, Line 7	Part I, Line 7 Non-Fixed payments not listed above	Certain management employees participate in an incentive compensation plan that includes some non-fixed elements. Upon the attainment of a certain financial threshold, incentive compensation is available for meeting identified goals in the areas of financial performance, operational efficiencies, quality improvements, customer satisfaction, strategic growth and partnership initiatives. In some cases the determination of whether a goal is met is absolute while others require a certain amount of discretion to determine if goal is met. In addition, the incentive compensation includes a purely discretionary component.
Sch J, Part I, Line 1b	Part I, Line 1b Reason for not following policy regarding payment provisions for expenses	Health club membership subsidy/discount is a benefits program applicable to all employees and is documented in the benefit program documents. Dining club membership is specified in the written employment contract which was approved by the Compensation Committee.
Sch J, Part I, Line 1a	Part I, Line 1a Relevant information in regards to selections on 1a	Discounted or subsidized health club membership is available to all employees. Dining Club membership for President used for business purposes. All amounts included in taxable compensation.

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Carrie Fitzgerald Hart	See Schedule O	164,058	Employment		No

Part V

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization Community Memorial Hospital of Menomonee Falls Inc	Employer identification number 39-0987025
---	--

Identifier	Return Reference	Explanation
	Schedule L - Part IV (b)	Carrie Fitzgerald Hart - Husband, Daniel Hart, is a director

Identifier	Return Reference	Explanation
	Part VII - Section A 1a, Column B	Approximate hours per week spent working on related entities Bast - 2 hoursBecker - 1 hourEllis - 1 hourFreiberg - 1 hourHart - 1 hourJacobson - 49 hoursPetasnick - 53 hoursPieters - 1 hourPollard - 6 hoursTemplin - 1 hourVan De Kreeke - 50 hoursZorbini - 40 hours

Identifier	Return Reference	Explanation
	Part VII - Section A 1a Columns C-F	Individuals listed as 'former' but receiving compensation during the year is due to the fact the individual is currently, or was during the tax year, still employed by the organization, but is no longer in the role of director, officer, key employee, etc in the current year, but was reported as such on the organization's 990 in the previous five years

Identifier	Return Reference	Explanation
	Part IX 24a Corporate Allocations	Froedtert Health allocates its revenues and expenses to Froedtert Memorial Lutheran Hospital, Community Memorial Hospital of Menomonee Falls, St Joseph's Community Hospital, Froedtert Physician Partners and West Bend Clinic. The allocation is calculated by applying an allocation metric to each accounting unit at Froedtert Health, including a flat percentage, percentage of gross revenue to total, percentage of supply expense to total, etc. Each entity then receives its portion of the Froedtert Health allocation on a monthly basis.

Identifier	Return Reference	Explanation
	Part IV, Line 24	Even though the liability is on the books of Community Memorial Hospital of Menemonee Falls, this question was answered no, as Schedule K will be completed on the Form 990 of the parent corporation, Froedtert Health, Inc

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	Comunity Memorial Hospital of Menomonee Fall's quarterly financial information is made available to the public through the Digital Assurance Corporation, Inc website. Additionally, Governing Documents and Conflict of Interest Policy are made available to the public through the corporate office upon request.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	In establishing the compensation of the organizations CEO/Top Management, independent compensation consultants are utilized, compensation studies are completed to gather comparative data, and amounts are reviewed and approved by the Compensation Committee of the Board of Directors

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	On an annual basis all officers, directors, trustees, key employees are required to complete a conflict of interest disclosure statement. The data is compiled, and the Vice President-Chief Compliance Officer (CCO), the Vice-President-General Counsel and/or delegate will review all forms and notifications to determine if any conflicts of interest exist in the disclosure documents. If it is determined that a conflict of interest exists, then the person making the disclosure shall be relieved of his/her obligations on behalf of a FH affiliate with respect to the transaction or arrangement that creates the conflict of interest. A report of all conflicts of interest will be made by the CCO at least annually to the Finance Committee of the Board of Directors.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 11	Form 990, Part VI, Line 11 Form 990 Review Process	Froedtert Health accounting staff prepare Form 990 which is reviewed by the Corporation's financial leaders and legal counsel. The 990 is then reviewed by KPMG, the Corporation's outside accounting firm. Next, the 990 is provided to the Corporation's Finance Committee and Board of Directors. Finally, the 990 is filed as required.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7b	Form 990, Part VI, Line 7b Describe Decisions of Governing Body Approval by Members or Shareholders	As the sole corporate member of Froedtert Memorial Lutheran Hospital, Community Memorial Hospital of Menomonee Falls, St Joseph's Community Hospital of West Bend, West Bend Clinic and Froedtert Physician Partner's, Froedtert Health (FH) retains certain reserved powers over each of these affiliates (the Affiliated Entities) The corporate Bylaws of FH and the Affiliated Entities provide that FH has the authority to direct the activities of FH and the Affiliated Entities, including the following a) Develop and revise FHs Strategic and Financial Plan, and approve, develop or revise any strategic plans relating to the Affiliated Entities,b) Approve, develop or revise capital and operating budgets for FH and the Affiliated Entities,c) Approve all requests by FH and the Affiliated Entities to borrow or loan funds, incur debt, guarantee a loan, or enter into similar debt obligations in excess of the financial levels specified,d) Make all expenditures of FH and approve all proposed capital expenditures entered into by the Affiliated Entities in excess of the financial levels specified,e) Approve all affiliations, partnerships, joint ventures, acquisitions, divestitures, dissolutions, sales, mergers and similar corporate transactions involving FH and/or an Affiliated Entity,f) Engage in consolidated cash management, transfer and/or consolidate funds of the Affiliated Entities, and direct the members of an obligated group to take actions to cause all the outstanding debt of the obligated group members to be evidenced by notes issued under the same Master Trust Indenture, andg) Develop and revise any capital and operating budget parameters for the Affiliated Entities

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7a	Form 990, Part VI, Line 7a How Members or Shareholders Elect Governing Body	Froedtert Health, Inc , as the member of Community Memorial Hospital of Menomonee Falls, has the final approval of election of all board members

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	Froedtert Health, Inc is the member of Community Memorial Hospital of Menomonee Falls

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
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) West Bend Surgery Center LLC 1710 Vogt Drive West Bend, WI 53095 39-1954169	Surgical Services	WI			West Bend Clinic Inc

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

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

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) FHHP LLC 9200 W Wisconsin Ave Milwaukee, WI 53226 45-2221564	Health Care	WI	na					No			No	
(2) Fitness Development Associates LLC 9200 W Wisconsin Avenue Milwaukee, WI 53226 39-1936497	Real Estate	WI	NA					No			No	
(3) Milwaukee Center of Diagnostic Imaging 5775 Wayzata Boulevard Suite 400 St Louis Park, MN 55416 41-1748361	Health Care	WI	NA					No			No	
(4) FMLH MCW Real Estate Ventures LLC 9200 W Wisconsin Avenue Milwaukee, WI 53226 26-0629591	Real Estate	WI	na					No			No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Progressive Physician Network Inc 9200 West Wisconsin Avenue Milwaukee, WI 53226 27-0367127	Management Services	WI	Froedtert Health Inc	C			
(2) Kettle Moraine Anesthesiology Inc PO Box 8031 Appleton, WI 54912 14-1842439	Health Care	WI	West Bend Clinic Inc	C			
(3) Community Ventures of Menomonee Falls W180 N8085 Town Hall Road Menomonee Falls, WI 53051 39-1635059	Inactive	WI	CMH of MF	C			100 000 %

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

Yes

Yes

No

No

No

No

No

No

No

No

Yes

Yes

Yes

Yes

Yes

Yes

Yes

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

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

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID: 11000144
Software Version: 2011v1.5
EIN: 39-0987025
Name: Community Memorial Hospital of Menomonee Falls Inc

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
Froedtert Physician Partners Inc 9200 W Wisconsin Ave Milwaukee, WI 53226 27-2042610	Health Care Services	WI	501(c)(3)		Froedtert Health Inc		No
QHS 1 Inc 19601 W Bluemound 2nd Flr Brookfield, WI 53045 20-2636686	Health Care Services	WI	501(c)(3)	Ln 11, Type 1	Froedtert Health Inc		No
Froedtert Hospital Foundation Inc 9200 West Wisconsin Avenue Milwaukee, WI 532263596 39-1431192	Health, Welfare, Research and Education Promotion	WI	501(c)(3)	Ln 11, Type 1	Froedtert Memorial Lutheran Hospital		No
St Josephs Community Foundation Inc 3200 Pleasant Valley Road West Bend, WI 530953686 39-2034296	Health and Welfare Promotion	WI	510(c)(3)	Ln 11, Type 1	St Josephs Community Hospital Inc		No
West Bend Clinic Inc 1700 W Paradise Drive West Bend, WI 53095 39-2034294	Health Care Services	WI	501(c)(3)		Froedtert Health Inc		No
St Josephs Community Hospital Inc 3200 Pleasant Valley Road West Bend, WI 530953868 39-0806302	Hospital Care Services	WI	501(c)(3)		Froedtert Health Inc		No
Froedtert Memorial Lutheran Hospital Inc 9200 West Wisconsin Avenue Milwaukee, WI 532263522 39-6105970	Hospital	WI	501(c)(3)		Froedtert Health Inc		No
Community Memorial Foundation W180 N8085 Town Hall Road Menomonee Falls, WI 53051 39-1635057	Health and Welfare promotion	WI	501(c)(3)	Ln 11, Type 1	Community Memorial Hospital of MF		No
Community Outpatient Health Services W180 N8085 Town Hall Road Menomonee Falls, WI 53051 39-1743056	Outpatient Medical and Dental Services	WI	501(c)(3)		Community Memorial Hospital of MF		No
Froedtert Health Inc 9200 West Wisconsin Avenue Milwaukee, WI 532263596 39-2014409	Management Services	WI	501(c)(3)	Ln 11, Type 111	NA		No



FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Financial Statements and Schedules

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

FROEDTERT HEALTH, INC. AND AFFILIATES

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KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Board of Directors
Froedtert Health, Inc.:

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in schedules 1 – 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audits 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 or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Milwaukee, Wisconsin
September 7, 2012

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Balance Sheets

June 30, 2012 and 2011

(In thousands)

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 87,244	68,723
Assets whose use is limited	1,648	3,555
Patient accounts receivable, net of estimated uncollectibles of \$42,207 in 2012 and \$37,928 in 2011	176,987	166,144
Other receivables	20,893	9,184
Inventories	19,750	21,123
Collateral held for securities loaned	238,187	284,917
Prepays and other	11,169	10,962
Total current assets	555,878	564,608
Investments	876,386	819,813
Assets whose use is limited or restricted	76,052	71,943
Investments in unconsolidated affiliates	29,753	27,560
Property, plant, and equipment, net	574,812	561,333
Deferred financing costs and other assets, net	43,033	34,671
Total assets	\$ 2,155,914	2,079,928
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 8,921	8,571
Accounts payable	23,456	17,197
Accrued expenses	141,507	120,886
Payable under securities lending agreement	238,187	286,719
Estimated settlements to third-party payors	5,911	5,144
Total current liabilities	417,982	438,517
Long-term debt, less current installments	477,036	486,115
Other long-term liabilities	127,286	71,865
Total liabilities	1,022,304	996,497
Net assets:		
Unrestricted	1,120,474	1,070,507
Noncontrolling interest in consolidated joint ventures	1,820	1,125
Total unrestricted	1,122,294	1,071,632
Temporarily restricted	10,948	11,431
Permanently restricted	368	368
Total net assets	1,133,610	1,083,431
Total liabilities and net assets	\$ 2,155,914	2,079,928

See accompanying notes to consolidated financial statements.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Statements of Operations

Years ended June 30, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Revenues:		
Net patient service revenue	\$ 1,378,019	1,288,749
Other operating revenue	73,666	66,001
Total revenues	<u>1,451,685</u>	<u>1,354,750</u>
Expenses:		
Salaries	485,738	453,714
Fringe benefits	125,506	112,690
Supplies	255,062	234,202
Contract services	117,201	124,336
Affiliate support	63,319	59,736
Provision for bad debts	72,299	57,387
Depreciation and amortization	54,618	52,608
Interest	20,811	20,579
Other	201,434	196,763
Claims and settlements	(27,195)	—
Total expenses	<u>1,368,793</u>	<u>1,312,015</u>
Operating revenues in excess of expenses	<u>82,892</u>	<u>42,735</u>
Nonoperating gains and losses:		
Investment income	33,543	40,415
Change in net unrealized gains and losses on investments	(17,133)	66,292
Change in fair value of interest rate swaps	(24,504)	5,756
(Loss) gain on disposal of property, plant, and equipment	(450)	584
Total nonoperating gains and losses, net	<u>(8,544)</u>	<u>113,047</u>
Revenues and gains in excess of expenses and losses	74,348	155,782
Other changes in unrestricted net assets:		
Contributions and net assets released from restrictions for property, plant, and equipment	2,176	595
Change in accrued pension benefits other than net periodic benefit costs	(26,258)	10,257
Other	396	435
Increase in unrestricted net assets	<u>50,662</u>	<u>167,069</u>
Unrestricted net assets at beginning of year	<u>1,071,632</u>	<u>904,563</u>
Unrestricted net assets at end of year	\$ <u><u>1,122,294</u></u>	<u><u>1,071,632</u></u>

See accompanying notes to consolidated financial statements.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2012 and 2011

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance, June 30, 2010	\$ 904,563	6,379	1,888	912,830
Revenues and gains in excess of expenses and losses	155,782	—	—	155,782
Change in net unrealized gains and losses on investments	—	400	—	400
Restricted contributions	—	3,815	—	3,815
Restricted investment gain	—	279	—	279
Net assets released from restrictions for operations	—	(435)	—	(435)
Contributions and net assets released from restrictions for property, plant, and equipment	595	(595)	—	—
Change in accrued pension benefits other than net periodic benefit costs	10,257	—	—	10,257
Reclassification of net assets based upon donor intent	—	1,520	(1,520)	—
Other	435	68	—	503
Increase (decrease) in net assets	<u>167,069</u>	<u>5,052</u>	<u>(1,520)</u>	<u>170,601</u>
Balance, June 30, 2011	<u>1,071,632</u>	<u>11,431</u>	<u>368</u>	<u>1,083,431</u>
Revenues and gains in excess of expenses and losses	74,348	—	—	74,348
Change in net unrealized gains and losses on investments	—	(145)	—	(145)
Restricted contributions	—	3,204	—	3,204
Restricted investment gain	—	190	—	190
Net assets released from restrictions for operations	—	(1,572)	—	(1,572)
Contributions and net assets released from restrictions for property, plant, and equipment	2,176	(2,176)	—	—
Change in accrued pension benefits other than net periodic benefit costs	(26,258)	—	—	(26,258)
Other	396	16	—	412
Increase (decrease) in net assets	<u>50,662</u>	<u>(483)</u>	<u>—</u>	<u>50,179</u>
Balance, June 30, 2012	\$ <u><u>1,122,294</u></u>	<u><u>10,948</u></u>	<u><u>368</u></u>	<u><u>1,133,610</u></u>

See accompanying notes to consolidated financial statements

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase in net assets	\$ 50,179	170,601
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	54,618	52,608
Provision for bad debts	72,299	57,387
Loss (gain) on disposal of property, plant, and equipment	450	(584)
Income from equity interest in unconsolidated affiliates, net	(2,187)	(2,064)
Restricted contributions	(3,204)	(3,815)
Realized and unrealized gains and losses on investments, net	7,229	(86,569)
Change in fair value of interest rate swap agreements	24,504	(5,756)
Change in accrued pension benefits other than net periodic benefit costs	26,258	(10,257)
Changes in assets and liabilities		
Patient accounts receivable	(83,142)	(81,620)
Estimated settlements to third-party payors	767	3,218
Accounts payable and accrued expenses	26,880	(747)
Other receivables	(11,709)	5,193
Inventories	1,373	(936)
Other assets and liabilities	(5,194)	1,649
Net cash provided by operating activities	<u>159,121</u>	<u>98,308</u>
Cash flows from investing activities		
Net additions to property, plant, and equipment	(67,423)	(40,166)
Proceeds from sales of property, plant, and equipment	2	3,624
Purchases of investments and assets whose use is limited or restricted	(923,678)	(717,915)
Proceeds from sales or maturities of investments and assets whose use is limited or restricted	855,872	687,345
Additional capital contributions in unconsolidated affiliates	(6)	(2,085)
Net cash used in investing activities	<u>(135,233)</u>	<u>(69,197)</u>
Cash flows from financing activities		
Repayments of long-term debt	(8,571)	(8,458)
Restricted contributions	3,204	3,815
Net cash used in financing activities	<u>(5,367)</u>	<u>(4,643)</u>
Net change in cash and cash equivalents	18,521	24,468
Cash and cash equivalents		
Beginning of year	68,723	44,255
End of year	<u>\$ 87,244</u>	<u>68,723</u>
Supplemental cash flow disclosure		
Capital lease commitment for building	\$ —	38,000

See accompanying notes to consolidated financial statements

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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(Dollar amounts in thousands)

(1) Organization and Summary of Significant Accounting Policies

Froedtert Health, Inc. (FH), formerly known as Froedtert & Community Health, Inc., is a nonstock, not-for-profit corporation organized to support and carry out the missions of Froedtert Memorial Lutheran Hospital, Inc. (FMLH); Community Memorial Hospital of Menomonee Falls, Inc. (CMH); St. Joseph's Community Hospital of West Bend, Inc. (SJCH); West Bend Clinic, Inc. (WBC); Froedtert Physician Partners, Inc. (FPP); and Progressive Physician Network, Inc. (PPN). FH is the sole corporate member of FMLH, CMH, SJCH, WBC, FPP, and PPN.

FMLH owns and operates an acute care hospital with 655 approved beds (of which 500 are currently staffed), clinics, and related operations in Wauwatosa, Wisconsin. FMLH is the sole corporate member of Froedtert Hospital Foundation, Inc. (Froedtert Foundation). The purpose of Froedtert Foundation is to raise money and to accept contributions for the purpose of developing philanthropic support for FMLH. Froedtert Foundation solicits, allocates, and dispenses funds exclusively for the maintenance, benefit, and support of FMLH programs, services, education, and capital improvements in accordance with priorities set by the Froedtert Foundation's board of directors and donor restrictions. Froedtert Surgery Center, LLC (FSC) is a Wisconsin limited liability company created as a joint venture among FMLH, Medical College of Wisconsin (MCW), and Advanced Healthcare S.C. (Advanced) to provide ambulatory surgery services. FMLH has a 50% ownership in FSC.

CMH owns and operates an acute care hospital with 235 approved beds (of which 202 are currently staffed) in Menomonee Falls, Wisconsin. CMH is the sole corporate member of Community Memorial Foundation of Menomonee Falls, Inc. (Community Memorial Foundation), which is a supporting organization of CMH. CMH is also the sole corporate member of Community Outpatient Health Services of Menomonee Falls, Inc. (COHS) and Horizon Ventures Limited, LLC (HVL). The purpose of Community Memorial Foundation is to raise money and to accept contributions for the purpose of developing philanthropic support for CMH. Community Memorial Foundation solicits, allocates, and dispenses funds exclusively for the maintenance, benefit, and support of CMH programs, services, education, and capital improvements in accordance with priorities set by the Community Memorial Foundation's board of directors and donor restrictions. COHS is a primary care clinic for the indigent. HVL was a Wisconsin limited liability company created to establish cost-effective delivery structures in joint venture relationships with other healthcare organizations. HVL was dissolved during fiscal year 2011 and the assets and liabilities of HVL were transferred to CMH.

SJCH owns and operates an acute care hospital with 70 approved and staffed beds in West Bend, Wisconsin. SJCH is the sole corporate member of St. Joseph's Community Foundation, Inc. (St. Joseph's Foundation). The purpose of St. Joseph's Foundation is to support SJCH and promote health and welfare of persons residing in Washington County, Wisconsin, and the areas served by SJCH and WBC. St. Joseph's Foundation receives gifts and bequests, raises funds for specific projects or needs, administers and invests funds, and disburses payments exclusively to further the mission and purposes of FH, SJCH, and WBC.

WBC operates multispecialty clinics and an outpatient surgery center in West Bend, Wisconsin, and other satellite clinics in surrounding communities. WBC is the sole corporate member of West Bend Surgery Center, LLC (WBSC).

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FPP operates multispecialty clinics in Menomonee Falls, Wisconsin, and other satellite clinics in the surrounding communities. In September 2010, FPP completed a transaction to purchase from another health system certain physician practice assets for \$1,200 and employ approximately 50 physicians and 400 staff and other clinicians.

PPN is an independent practice association, which contracts with health plans and other third-party payors to arrange for the provision of healthcare services by its physician members. PPN serves to support a network of healthcare professionals engaged in developing reproducible clinical and administrative processes that clinically integrate such professionals in a manner which improves patient health, enhances patient experiences, and reduces or controls the cost of healthcare in such professionals' shared communities.

FH has a 60% ownership interest in Froedtert Health Hometown Pharmacy, LLP (FHHP), which owns and operates a retail pharmacy selling prescriptions and over-the-counter medications and related products in West Bend, Wisconsin. FHHP began operations in July 2011.

The accompanying consolidated financial statements include the accounts of FH, FMLH, Froedtert Foundation, FSC, CMH, Community Memorial Foundation, COHS, SJCH, St. Joseph's Foundation, WBC, WBSC, FPP, PPN, and FHHP.

At June 30, 2012, FH, FMLH, Froedtert Foundation, CMH, Community Memorial Foundation, SJCH, St. Joseph's Foundation, and WBC are members of the obligated group (Obligated Group) for the purposes of the issuance of bonds through the Wisconsin Health and Educational Facilities Authority (WHEFA) (note 6). The Obligated Group consists only of the members mentioned above and excludes FSC, COHS, WBSC, PPN, FPP, and FHHP. Total combined assets of FSC, COHS, WBSC, PPN, FPP, and FHHP, which are not members of the Obligated Group, were approximately \$55,640 at June 30, 2012. Total combined net assets of the same entities were approximately \$47,200 at June 30, 2012 and total combined revenues and gains deficient of expenses and losses approximate \$(11,685) for the year ended June 30, 2012.

The significant accounting policies of FH are as follows:

(a) Principles of Consolidation

The consolidated financial statements of FH have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Net Assets

Net assets are classified as either permanently or temporarily restricted when the use of the assets is limited by outside parties or as unrestricted net assets when outside parties place no restrictions on the use of the assets or when the assets arise as a result of the operations of FH.

Unconditional promises to give cash and other assets to FH are reported at fair value at the date the promise is received. Pledges receivable to be collected after one year are discounted using a risk-free

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interest rate. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as operating revenue in the consolidated statements of operations if restricted for operating purposes and as an increase to unrestricted net assets if restricted to purchase property, plant, and equipment. Gifts for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as other operating revenue. FH's temporarily restricted net assets are restricted for future construction or specific operations of FMLH, CMH, SJCH, and WBC. The permanently restricted net assets are endowment funds held by Froedtert Foundation and St. Joseph's Foundation, the principal of which may not be expended. During 2011, certain donors clarified their intentions for previously recorded gifts. Such reclassified amounts are reported as reclassification of net assets based upon donor intent in the accompanying consolidated statements of changes in net assets.

Interpretation of Relevant Law Governing Endowments

FH applies the provisions of Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. ASC 958-205 provides guidance on the net asset classification of donor restricted endowment funds for not-for-profit organizations and requires additional disclosure about endowment funds.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) legislation eliminates the historical dollar value threshold, an amount below which an organization could not spend from the endowment, and replaces it with guidelines that constitute prudent spending with preservation of the endowment. UPMIFA requires the establishment of a spending policy, which may result in the value of the endowment dropping below the historical dollar value threshold.

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

Endowment Spending Policy

Froedtert Foundation has a policy of appropriating for distribution each year, a percentage as determined periodically by the Froedtert Foundation board of the average fair market value of the assets of the endowment as of June 30 of the preceding 12 quarters. Over the duration of the investments, the Froedtert Foundation anticipates that when offset against inflationary factors, this policy will maintain the purchasing power of the endowment assets that are required to be held in perpetuity, as well as to provide additional purchasing power through new contributions and investment returns.

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Endowment Investment Policy

Froedtert Foundation attempts to provide a predictable stream of funding to support its endowments while seeking to maintain the purchasing power of the endowment assets. The endowment's assets are commingled with the investment assets of the Froedtert Foundation and for investment purposes are invested in a manner determined by the FH Investment Committee and in accordance with the FH investment policy. In order to satisfy the long term rate of return of the investment policy and objectives, FH relies on a total return strategy in which investment returns are achieved through both realized and unrealized gains and losses and interest and dividend income.

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

Assets whose use is limited or restricted include assets set aside by management for executive compensation agreements and for program development and physician recruitment, assets held by trustees under debt agreements, assets held under swap collateral posting requirements, and assets whose use is restricted by donors. Assets whose use is limited are reported as unrestricted net assets. Assets whose use is restricted by donors are reported as temporarily restricted or permanently restricted net assets.

(d) *Revenues and Gains in Excess of Expenses and Losses*

The consolidated statements of operations include revenues and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as gains and losses. Changes in unrestricted net assets that are excluded from revenues and gains in excess of expenses and losses, consistent with industry practice, include contributions of property, plant, and equipment (including assets acquired using contributions that by donor restrictions were to be used for the purpose of acquiring such assets) and changes in accrued pension benefits other than net periodic benefit costs.

(e) *Net Patient Service Revenue*

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

(f) *Investments and Investment Income*

Investments, including assets whose use is limited or restricted, with readily determinable fair values, are stated at fair value generally based upon quoted market prices. Short-term investments include money market accounts and certain fixed income securities. Money market accounts and fixed income securities purchased with a maturity at date of purchase of three months or less are included in cash and cash equivalents on the balance sheet. Fixed income securities purchased with a maturity at date of purchase greater than three months but less than twelve months are included in investments on the balance sheet. Realized gains and losses, interest and dividends on short-term

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investments, and interest and dividends on funds held under debt agreements, to the extent not capitalized, are classified as other operating revenue in the consolidated statements of operations. Realized gains and losses, unrealized gains and losses on trading securities, and interest and dividends on long-term investments are classified as nonoperating gains and losses in the consolidated statements of operations. Unrealized gains and losses are included in revenues and gains in excess of expenses and losses as management considers all investments to be trading securities.

FH invests in various investment securities including U.S. government securities, marketable equity securities, fixed income securities, money market funds, and mutual funds. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of FH's investments could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Investments in joint ventures in which 20% to 50% interest is held are accounted for using the equity method of accounting. Investments in joint ventures with less than a 20% interest and for which FH does not exercise significant control are accounted for using the cost method. Investments in which greater than 50% interest is held are consolidated with the recording of a noncontrolling interest in consolidated joint venture within unrestricted net assets.

(g) *Inventories*

Inventories are stated at cost, which is not in excess of market value.

(h) *Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Buildings and equipment under capital leases are recorded at the net present value of future minimum lease payments. Equipment under capital leases and leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment or leasehold improvements.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(i) *Long-Lived Assets*

FH periodically assesses the recoverability of long-lived assets (including property, plant, and equipment) when indications of potential impairment, based on estimated, undiscounted future cash flows, exist. Management considers such factors as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset. FH

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does not believe that there are any factors or circumstances indicating impairment of its long-lived assets for the years ended June 30, 2012 and 2011.

(j) *Costs of Borrowing*

Expenses incurred on the issuance of fixed rate long-term debt and the original issue premium or discount are deferred and amortized using the declining-balance method over the term of the debt. Expenses incurred on the issuance of variable rate debt are deferred and amortized using the straight-line method over the term of the underlying letter of credit for each issue.

Net interest costs incurred on borrowed funds during the period of construction are capitalized as a component of the cost of significant construction projects.

(k) *Cash and Cash Equivalents*

For purposes of the consolidated statements of cash flows, cash and cash equivalents include highly liquid investments purchased with a maturity at date of purchase of three months or less, excluding assets whose use is limited or restricted.

(l) *Income Taxes*

FH and its affiliates, except HVL, FSC, WBSC, PPN, and FHHP, are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. HVL, FSC, WBSC, and FHHP are limited liability companies and are treated as partnerships for income tax purposes. Income and losses are passed through to their members. PPN is a nonstock corporation and earnings are subject to income tax.

FH applies ASC No. 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC No. 740 prescribes a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC No. 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2012 and 2011, FH does not have an asset or liability recorded for unrecognized tax positions.

(m) *Derivative Instruments*

FH accounts for derivatives and hedging activities in accordance with ASC No. 815, *Derivatives and Hedging*, which requires that all derivatives instruments be recorded as either assets or liabilities in the consolidated balance sheets at their respective fair values.

For hedging relationships, FH formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking

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all derivatives that are designated as cash-flow hedges to specific assets and liabilities in the consolidated balance sheets.

The interest rate swap agreements do not meet the criteria to qualify for hedge accounting treatment. FH continues to carry all of its derivatives at fair value and recognizes changes in their fair value as nonoperating gains and losses in the consolidated statements of operations.

(n) Use of Estimates

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

(o) Reclassifications

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

(p) New Accounting Pronouncements

FH applies the guidance under ASC No. 810, *Consolidation*, for the presentation of noncontrolling interests, reporting it as a separate component of net assets and including a schedule reconciling beginning and ending balances of controlling and noncontrolling interests of net assets in the notes to the consolidated financial statements.

Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU No. 2010-06) amends ASC Subtopic 820-10, *Fair Value Measurements and Disclosure*, to provide additional disclosure requirements for transfers in and out of Levels 1 and 2 and for activity in Level 3 and to clarify certain other existing disclosure requirements. FH implemented ASU No. 2010-06 for the year ended June 30, 2011, except for the separate disclosures about Level 3 activities, which were implemented for the year ended June 30, 2012.

In August 2010, the Financial Accounting Standards Board (FASB) issued ASU No. 2010-23, *Measuring Charity Care for Disclosure* (ASU No. 2010-23). ASU No. 2010-23 amends ASC Subtopic 954-605, *Revenue Recognition*, to require all organizations to use cost as the measurement basis for charity care disclosure requirements. FH adopted the provisions of ASU No. 2010-23 for the year ended June 30, 2012.

In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU No. 2010-24). ASU No. 2010-24 clarifies that a healthcare entity should not net insurance recoveries against a related malpractice claim liability or similar liability, which is consistent with the guidance in ASC Subtopic 210-20, *Balance Sheet – Offsetting*. FH adopted the provisions of ASU No. 2010-24 for the year ended June 30, 2012, and subsequently recorded estimated insurance recoveries and related insurance liability of \$1,900 at that date.

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In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities* (ASU No. 2011-07). ASU No. 2011-07 requires certain healthcare entities to record the provision for bad debts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) and is effective for FH the year ending June 30, 2013.

(2) Fair Value Measurements

FH applies the provisions of ASC No. 820, *Fair Value Measurements and Disclosures*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. These provisions describe a fair value hierarchy that includes three levels of inputs to be used to measure fair value. The three levels are defined as follows as interpreted for use by FH:

- Level 1 – Inputs into fair value methodology are based on quoted market prices in active markets.
- Level 2 – Inputs into the fair value methodology are based on quoted prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves. The inputs are generally seen as observable in active markets for similar items for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 – Inputs into the fair value methodology are unobservable and significant to the fair value measurement.

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient and other receivables, accounts payable, accrued expenses, and estimated settlements to third-party payors.
- Assets limited as to use, collateral held for securities loaned, and long term investments: U.S. government securities, marketable equity securities, fixed income securities, money market funds, and mutual funds are measured using quoted market prices; other observable inputs such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets at the reporting date multiplied by the quantity held. The carrying value equals fair value.
- Interest rate swaps: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and FH. The carrying value equals fair value.

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- Fair value of total long-term debt was approximately \$502,986 and \$495,371 at June 30, 2012 and 2011, respectively, and is based upon borrowing rates currently available to FH for similar terms and average maturities.

The following table represents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2012:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Assets				
Cash and cash equivalents	\$ 87,244	74,134	13,110	—
Collateral held for securities loaned	238,187	117,055	121,132	—
Investments, excluding interest receivable of \$3,096				
U S government securities	226,804	—	226,804	—
Marketable equity securities	343,771	343,771	—	—
Fixed income securities	208,606	—	208,606	—
Money market funds	94,109	76,369	17,740	—
Assets whose use is limited or restricted, excluding interest receivable of \$79 and pledges receivable of \$329				
Cash and cash equivalents	27,748	26,397	1,351	—
U S government securities	6,259	—	6,259	—
Marketable equity securities	13,782	13,782	—	—
Fixed income securities	18,347	—	18,347	—
Money market funds and mutual funds	9,781	7,148	2,633	—
Other	1,375	—	184	1,191
Total assets	<u>\$ 1,276,013</u>	<u>658,656</u>	<u>616,166</u>	<u>1,191</u>
Liabilities				
Payable under securities lending agreement	\$ 238,187	117,055	121,132	—
Interest rate swap agreements	43,074	—	43,074	—
Total liabilities	<u>\$ 281,261</u>	<u>117,055</u>	<u>164,206</u>	<u>—</u>

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The following table is a rollforward of assets whose use is limited that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2011	\$ 1,302
Gains/losses and investment income, net	(111)
Purchases, issuances, and write-offs, net	—
Transfers in and out of Level 3, net	—
Fair value at June 30, 2012	<u>\$ 1,191</u>

There were no transfers of investments between Level 1 and Level 2 for the fiscal years ended June 30, 2012 and 2011.

The following table represents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets				
Cash and cash equivalents	\$ 68,723	62,348	6,375	—
Collateral held for securities loaned	284,917	126,845	158,072	—
Investments, excluding interest receivable of \$3,250				
U S government securities	235,154	—	235,154	—
Marketable equity securities	325,340	325,340	—	—
Fixed income securities	227,098	—	227,098	—
Money market funds	28,971	—	28,971	—
Assets whose use is limited or restricted, excluding interest receivable of \$89 and pledges receivable of \$1,330				
Cash and cash equivalents	11,942	10,889	1,053	—
U S government securities	6,729	—	6,729	—
Marketable equity securities	13,212	13,212	—	—
Fixed income securities	30,007	—	30,007	—
Money market funds and mutual funds	9,963	4,787	5,176	—
Other	2,226	—	924	1,302
Total assets	<u>\$ 1,244,282</u>	<u>543,421</u>	<u>699,559</u>	<u>1,302</u>

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	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Liabilities				
Payable under securities lending agreements	\$ 286,719	128,647	158,072	—
Interest rate swap agreements	<u>18,570</u>	<u>—</u>	<u>18,570</u>	<u>—</u>
Total liabilities	<u>\$ 305,289</u>	<u>128,647</u>	<u>176,642</u>	<u>—</u>

The following table is a rollforward of assets whose use is limited that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2010	\$ 1,257
Gains/losses and investment income, net	165
Purchases, issuances, and write-offs, net	(120)
Transfers in and out of Level 3, net	<u>—</u>
Fair value at June 30, 2011	<u>\$ 1,302</u>

(3) Investments and Assets Whose Use Is Limited or Restricted

Investments and assets whose use is limited or restricted are summarized as follows:

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
At fair value:		
U.S. government securities	\$ 226,804	235,154
Marketable equity securities	343,771	325,340
Fixed income securities	208,606	227,098
Money market funds	<u>94,109</u>	<u>28,971</u>
Total investments at fair value	873,290	816,563
At cost:		
Interest receivable	<u>3,096</u>	<u>3,250</u>
Total investments	<u>\$ 876,386</u>	<u>819,813</u>

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		June 30	
		2012	2011
At fair value:			
Cash and cash equivalents	\$	27,748	11,942
U.S. government securities		6,259	6,729
Marketable equity securities		13,782	13,212
Fixed income securities		18,347	30,007
Money market funds and mutual funds		9,781	9,963
Other		1,375	2,226
Total assets whose use is limited at fair value		77,292	74,079
At cost:			
Interest receivable		79	89
Pledges receivable		329	1,330
Total assets whose use is limited or restricted	\$	77,700	75,498

Assets whose use is limited or restricted are summarized as follows:

		June 30	
		2012	2011
Assets whose use is limited or restricted			
Under debt agreements (note 6)	\$	14,321	32,717
Swap collateral (note 7)		20,673	—
By management:			
For executive compensation agreements		13,044	12,941
For program development and physician recruitment		10,000	10,000
For other		6,995	6,695
By donors		11,316	11,799
Other		1,351	1,346
Total assets whose use is limited or restricted	\$	77,700	75,498

Assets whose use is limited or restricted are classified as current assets to the extent they are available to meet current liabilities.

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The composition of investment return on FH's cash and cash equivalents, investments, and assets whose use is limited or restricted is as follows:

	Year ended June 30	
	2012	2011
Included in other operating revenue:		
Interest and dividends on funds held under debt agreements and cash and cash equivalents	\$ 1,026	1,118
Net realized gains and losses on funds held under debt agreements and cash and cash equivalents	(50)	2
Included in nonoperating gains and losses:		
Interest and dividends on investments and funds held under debt agreements	23,639	20,138
Realized gains on investments	9,904	20,277
Change in net unrealized gains and losses on investments	(17,133)	66,292
Change in fair value of interest rate swaps	(24,504)	5,756
Temporarily and permanently restricted net assets:		
Restricted investment income	190	279
Change in net unrealized gains and losses on investments	(145)	400
Total investment return	\$ <u>(7,073)</u>	<u>114,262</u>

FH has a securities lending agreement with a financial institution whereby fixed income and equity securities are loaned to third parties in exchange for cash collateral that exceeds the market value of the securities loaned. Collateral is marked to market daily to reflect changes in fair value of the securities loaned. The fair market value of the securities loaned under this arrangement was approximately \$232,903 and \$279,647 at June 30, 2012 and 2011, respectively. The fair market value of the collateral received under this arrangement was approximately \$238,187 and \$284,917 at June 30, 2012 and 2011, respectively. Unrealized gains on the invested collateral were approximately \$1,803 and \$1,778 for the years ended June 30, 2012 and 2011, respectively, and are included as nonoperating gains and losses on the consolidated statements of operations. The fair value of collateral was 102.3% and 101.9% of the fair value of securities loaned at June 30, 2012 and 2011, respectively.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

(4) Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows:

	June 30	
	2012	2011
Land and land improvements	\$ 15,430	16,351
Leasehold improvements	70,271	66,391
Buildings	497,569	488,082
Fixed equipment	111,502	107,362
Movable equipment	350,343	325,066
Construction in progress	68,200	51,182
Total property, plant, and equipment	1,113,315	1,054,434
Less accumulated depreciation and amortization	538,503	493,101
Property, plant, and equipment, net	\$ 574,812	561,333

Construction in progress at June 30, 2012 and 2011 relates to various software and renovation projects, construction of a cancer center at SJCH and medical office building for FPP, and various other renovation projects and equipment at the hospital and clinic campuses. Contractually committed costs for renovation and software projects totaled approximately \$35,253 at June 30, 2012. Capitalized interest costs were approximately \$549 and \$1,346 for the years ended June 30, 2012 and 2011, respectively.

(5) Land Lease Agreement

In 1980, FMLH entered into a land lease agreement with Milwaukee County to lease the land on which the hospital resides. The lease terms are for FMLH to pay one dollar annually through 2030, and a mutually agreed-upon amount in years 2031 through 2079. If the parties cannot mutually agree upon an amount, the annual rent will be determined as fair market value of the leased land times 10%. In December 1995, FMLH purchased certain assets of John L. Doyne Hospital (Doyne). As part of the purchase, FMLH entered into an amendment to the original land lease agreement to include the land previously used by Doyne. The lease payments on the new land lease are calculated as one dollar plus 5.25% of FMLH's annual operating cash flow, as defined in the agreement, for each of the years through 2020 and one dollar annually in years 2021 to 2079. The lease agreements are accounted for as operating leases. Lease expense has been recognized in accordance with the terms of the lease agreements amounting to \$4,435 and \$8,607 for the years ended June 30, 2012 and 2011, respectively. Cumulative amounts recognized under the lease agreements since the leases' inception in 1995 approximate \$67,633 through June 30, 2012. Payments under the lease agreements are made in the year subsequent to the year in which they relate.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

(6) Long-Term Debt

Long-term debt is summarized as follows:

	June 30	
	2012	2011
Revenue bonds, Series 2001 – due in sinking fund installments annually, plus interest each year through 2030, ranging from 4.50% to 5.70% (effective rate of 5.32% and 5.23% for the years ended June 30, 2012 and 2011, respectively)	\$ 8,000	10,210
Revenue bonds, Series 2003 – due in sinking fund installments ranging from \$600 to \$4,690, plus interest each year through 2032, ranging from 5.75% to 6.00% (effective rate of 5.98% and 5.96% for the years ended June 30, 2012 and 2011, respectively)	47,055	47,620
Revenue bonds, Series 2005A – due in 2016 (effective rate of 5.35% for both years ended June 30, 2012 and 2011)	424	424
Revenue bonds, Series 2009A – annual principal payments range from \$2,375 in 2013 to \$9,535 in 2035. Interest rates variable based on market conditions (0.17% and 0.07% at June 30, 2012 and 2011, respectively, effective rate of interest 3.20% in 2012 and 3.38% in 2011)	92,300	93,590
Revenue bonds, Series 2009B – annual principal payments range from \$2,380 in 2013 to \$9,535 in 2035. Interest rates variable based on market conditions (0.16% and 0.04% at June 30, 2012 and 2011, respectively, effective rate of interest 3.20% in 2012 and 3.34% in 2011)	92,300	93,585
Revenue bonds, Series 2009C – annual principal payments range from \$2,835 in 2013 to \$22,885 in 2039, plus interest each year through 2039. Interest rates range from 4.00% to 5.25% (effective rate of interest of 5.10% in 2012 and 5.09% in 2011)	179,555	182,390
Capital lease obligations	62,568	62,819
Other	1,021	1,156
Total debt	483,223	491,794

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

	June 30	
	2012	2011
Less:		
Current installments of long-term debt	8,921	8,571
Unamortized bond premium, net	(2,734)	(2,892)
Total long-term debt	\$ 477,036	486,115

Under the terms of the Series 2001 and 2003 bond trust indentures and subsequent supplements to the indentures, CMH and SJCH are required to maintain certain deposits with a trustee. Such deposits are included with assets whose use is limited in the consolidated balance sheets (note 3). The Master Trust Indenture related to the Series 2003, 2005A, and 2009C and the reimbursement agreements related to the 2009A and 2009B bonds also place limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the bonds are outstanding.

The variable rate 2009A and 2009B Series bonds are backed by letters of credit expiring in February 2015. The bonds have put options that allow the holders to redeem the bonds prior to maturity. FH has an agreement with an underwriter to remarket any bonds redeemed as a result of the exercise of put options. If the bonds cannot be remarketed, the bank will draw on the letter of credit to purchase the bonds. The bank, pursuant to a reimbursement agreement, will demand payment from FH under an accelerated payment schedule for these purchased bonds, as shown in the table below.

The Series 2009A and 2009B bonds have variable interest rates with a maximum interest rate of 10%.

The Series 2009C bond trust indenture (the Indenture), subsequent supplements to the Indenture, and the reimbursement agreements related to the 2009A and 2009B bonds place limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the bonds are outstanding.

Cash payments for interest, net of amounts capitalized, and monthly swap settlements were approximately \$20,387 and \$19,849 for the years ended June 30, 2012 and 2011, respectively.

Maturities on long-term debt and capital lease obligations if variable rate demand note principal payments are accelerated pursuant to the bank reimbursement agreement for each of the next five years and thereafter are as follows:

2013	\$ 8,921
2014	11,558
2015	11,900
2016	170,652
2017	5,738
Thereafter	274,454
	\$ 483,223

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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(Dollar amounts in thousands)

Scheduled principal maturities on long-term debt and capital lease obligations for each of the next five years and thereafter are as follows:

2013	\$	8,921
2014		9,270
2015		9,394
2016		10,197
2017		11,257
Thereafter		434,184
	\$	<u>483,223</u>

FH has entered into capital leases for certain medical office space through the year 2032. The capital lease obligations were \$62,568 and \$62,819 at June 30, 2012 and 2011, respectively.

Future minimum lease payments under capital leases at June 30, 2012 are as follows:

2013	\$	4,026
2014		5,907
2015		6,651
2016		6,772
2017		6,908
Thereafter		<u>105,876</u>
Total minimum lease payments		136,140
Less amounts representing interest ranging from 7.56% to 11.17%		<u>73,572</u>
Present value of net minimum lease payments	\$	<u>62,568</u>

(7) Derivative Instruments and Hedging Activities

The derivative instruments used by FH are interest rate swap agreements that are used to convert variable rate interest on the long-term debt to fixed rate interest. The variable interest rate on the debt generally exposes FH to variability in cash flow in rising or declining interest rate environments. In converting variable rate interest to a fixed rate, the interest rate swap effectively reduces the variability of the cash flow of the debt.

(a) Objectives and Strategies

FH, at times, uses variable rate debt to finance its operations. The debt obligations expose FH to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective,

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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(Dollar amounts in thousands)

management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

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

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

(b) *Risk Management Policies*

FH assesses market risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. FH maintains risk management control systems to monitor market risk attributable to both the outstanding or forecasted debt obligations, as well as the offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on future cash flows.

FH does not use derivative instruments for speculative investment purposes.

(c) *Transactions*

Consistent with the objectives set forth above, the Obligated Group entered into interest rate swap agreements matched to its Series 2009A and 2009B revenue bonds. Under the terms of the interest rate swap agreements, the Obligated Group pays a fixed rate on the bonds and receives a variable rate of interest equal to the three-month LIBOR index, reset weekly.

The fair value of the interest rate swaps of approximately \$(43,074) and \$(18,570) is included in other long-term liabilities in the consolidated balance sheets at June 30, 2012 and 2011, respectively.

The interest rate swap agreements for the Obligated Group at June 30, 2012 consist of the following:

Type	Notional amount	Maturity date	Fixed pay rate	Variable pay rates at June 30	
				2012	2011
2009A bonds	\$ 92,300,000	April 1, 2035	3.366	0.317	0.169
2009B bonds	92,300,000	April 1, 2035	3.366	0.317	0.169

Cash paid for monthly settlement under the interest rate swap agreements was \$5,740 and \$5,919 and is included within interest expense in the consolidated statements of operations. No cash was received under the interest rate swaps agreements during the years ended June 30, 2012 and 2011.

FROEDTERT HEALTH, INC. AND AFFILIATES

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(Dollar amounts in thousands)

FH posted collateral as required under the swap agreements of \$20,673 as of June 30, 2012. There was no collateral required under the swap agreements as of June 30, 2011 as the fair value of the liability under the agreements did not exceed \$25,000.

(8) Net Patient Service Revenue

A summary of the basis of reimbursement with major third-party payors follows:

Medicare – Inpatient acute care, most outpatient, and defined capital costs for services rendered to Medicare beneficiaries are paid at prospectively determined rates per case. These rates vary according to a payment classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, medical education, and certain organ acquisition costs related to Medicare beneficiaries are paid based upon cost reimbursement methods, established fee screens, or a combination thereof. FMLH, CMH, and SJCH are reimbursed for cost reimbursement items at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The FMLH and CMH cost reports have been audited by the Medicare fiscal intermediary through December 31, 2006. The SJCH cost reports have been audited by the Medicare fiscal intermediary through June 30, 2009.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed primarily based upon prospectively determined rates.

Wisconsin's Economic Recovery Act includes a tax assessment on hospital and ambulatory surgery center revenues. Funds collected under the tax are used to increase federal funding for the Wisconsin Medicaid program. FH recognized approximately \$43,882 and \$48,466 of increased Medicaid reimbursement and approximately \$31,789 and \$31,375 of tax expense as a result of the law for the years ended June 30, 2012 and 2011, respectively. The increased Medicaid reimbursement and tax assessment expense are recorded in net patient service revenue and other expense, respectively, in the 2012 and 2011 consolidated statements of operations.

There are various other proposals at the federal and state levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, or increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The percentage of net patient service revenue applicable to services provided to Medicare and Medicaid patients was approximately 35% and 38% for the years ended June 30, 2012 and 2011, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. FH believes it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations may be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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(Dollar amounts in thousands)

FH has received notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contract (RAC) program. FH is responding to these requests. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse impact on FH's net patient service revenues.

FH, FMLH, CMH, SJCH, WBC, and FPP also have entered into reimbursement agreements with certain commercial insurance carriers and managed care organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

For the years ended June 30, 2012 and 2011, the consolidated statements of operations include approximately \$795 and \$1,563, respectively, as a decrease in net patient service revenue for changes in prior year estimates related to third-party contractual allowances and retroactive settlements with third-party payors.

The consolidated statement of operations for the year ended June 30, 2012 contains an increase in net patient service revenue of \$7,953 related to a one-time Medicare budget neutrality settlement related to previous fiscal years.

(9) Concentration of Credit Risk

FH grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors as of June 30, 2012 and 2011 is as follows:

	June 30	
	2012	2011
Medicare	13%	18%
Medicaid	4	4
Managed care/contracted payor	55	52
Self-pay	22	20
Other	6	6
	100%	100%

(10) Charity Care

FH provides uncompensated care based on the cost of providing care to patients, in accordance with established policies. FH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because FH does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of cost incurred for services and supplies furnished under FH's charity care policy was \$18,561 and \$16,776 for the years ended June 30, 2012 and 2011, respectively.

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(Dollar amounts in thousands)

(11) Related Organizations and Other Significant Transactions

(a) Unconsolidated Affiliates

United/Dynacare, LLC is an independent diagnostic services provider of which FH has a 50% ownership interest. The investment in United/Dynacare, LLC of approximately \$13,345 and \$11,384 at June 30, 2012 and 2011, respectively, is included in investments in unconsolidated affiliates on the consolidated balance sheets. FH purchased services of approximately \$41,066 and \$42,581 from United/Dynacare, LLC for the years ended June 30, 2012 and 2011, respectively, which are included in contract services in the consolidated statements of operations.

FH has a 35% ownership interest in a joint venture, Wisconsin Renal Care Group, LLC (WRCG), with an unrelated party. The investment in WRCG of approximately \$1,374 and \$2,332 at June 30, 2012 and 2011, respectively, is included in investments in unconsolidated affiliates on the consolidated balance sheets.

Menomonee Falls Ambulatory Surgery Center (MFASC) is a limited liability partnership formed to construct and operate an ambulatory surgery center on CMH's campus. Until June 2011, the partnership was between CMH and two nonaffiliated clinics, and CMH had a 15% interest in the equity and net income or loss of MFASC. Effective in June 2011, one of the unaffiliated clinics sold 35% of MFASC to CMH, leaving CMH with a 50% interest in MFASC. CMH's investment in MFASC was \$2,501 and \$2,290 at June 30, 2012 and 2011, respectively, and is included in investments in unconsolidated affiliates on the consolidated balance sheets.

The following represents summary financial data (unaudited) for all unconsolidated affiliates, including those described above:

		2012	2011
Current assets	\$	47,534	44,287
Current liabilities		15,355	15,820
Working capital		32,179	28,467
Property and equipment, net		42,884	41,875
Other long-term assets		19,625	19,780
Long-term liabilities		23,625	23,660
Net assets	\$	71,063	66,462
Revenues	\$	165,624	160,844
Expenses		131,569	123,672
Excess of revenues over expenses	\$	34,055	37,172

FROEDTERT HEALTH, INC. AND AFFILIATES

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(Dollar amounts in thousands)

(b) United Hospital System, Inc.

FMLH entered into a membership and affiliation agreement with United Hospital System, Inc. (UHS), a not-for-profit corporation located in Kenosha, Wisconsin, in 2001 for the purpose of integrating activities in order to benefit the patients and communities served. FMLH records its investment in UHS of \$15,000 under the cost basis. The investment in UHS is noninterest bearing and unsecured. The investment is included in deferred financing costs and other assets on the consolidated balance sheets.

(c) Noncontrolling Interest in Consolidated Joint Venture

Changes in unrestricted net assets attributable to FH and to noncontrolling interest in consolidated joint ventures for June 30 are as follows:

	Total	Controlling interest	Non controlling interest
Balance, June 30, 2010	\$ 904,563	903,831	732
Revenues and gains in excess of expenses and losses	155,782	155,389	393
Contributions and net assets released from restrictions for property, plant, and equipment	595	595	—
Change in accrued pension benefits other than net periodic benefit costs	10,257	10,257	—
Other	435	435	—
Changes in net assets	167,069	166,676	393
Balance, June 30, 2011	1,071,632	1,070,507	1,125
Revenues and gains in excess of expenses and losses	74,348	73,853	495
Contributions and net assets released from restrictions for property, plant, and equipment	2,176	2,176	—
Change in accrued pension benefits other than net periodic benefit costs	(26,258)	(26,258)	—
Other	396	196	200
Changes in net assets	50,662	49,967	695
Balance, June 30, 2012	\$ 1,122,294	1,120,474	1,820

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

(12) Employee Benefit Plans

(a) Defined Contribution Plans

FMLH previously sponsored a defined contribution pension plan and a 403(b) thrift plan covering substantially all FMLH employees, which were frozen effective December 31, 2007.

Community Health Care Services of Menomonee Falls, Inc. (CHCS) previously sponsored a 403(b) thrift plan and a 401(a) plan, which were frozen effective December 31, 2007. Sponsorship of the CHCS 401(a) plan was transferred to FH and effective January 1, 2011 renamed the Froedtert Health, Inc. 401 (a) Retirement Plan (FH Retirement Plan).

FH created a new 403(b) plan, the Froedtert & Community Health, Inc. 403(b) Plan (F&CH 403(b) Plan) covering the employees of FH, FMLH, and CMH effective January 1, 2008, employees of SJCH and WBC effective January 1, 2010, and employees of FPP effective September 3, 2010. The F&CH 403(b) plan provides a nonelective employer contribution, which varies based on employee's service from 3% of pay for employees with less than 10 years of service to 5% of pay for employees with 26 or more years of service. The nonelective employer contribution is also provided for those employees that no longer qualify for future service in the CMH defined benefit plan. It also provides a matching employer contribution of 50% of the first 5% of pay deferred by an employee. FH's contributions to these plans are made annually. FH's pension expense for the plan was approximately \$23,508 and \$19,312 for the years ended June 30, 2012 and 2011, respectively.

(b) Defined Benefit Plans

FMLH has a defined benefit plan (the FMLH Plan) that covers certain former Milwaukee County employees who became employees of FMLH. FMLH and United/Dynacare, LLC are responsible for funding 10% of the FMLH Plan, with Milwaukee County funding 90%. FMLH has recorded the difference between the projected benefit obligation and the fair market value of plan. There is a corresponding long-term receivable from United/Dynacare, LLC and Milwaukee County for their portion of the unfunded projected benefit obligation of \$22,380 and \$11,992 at June 30, 2012 and 2011, respectively, included in deferred financing costs and other assets, net in the consolidated balance sheets. FMLH's pension expense for the FMLH Plan was approximately \$373 and \$1,105 for the years ended June 30, 2012 and 2011, respectively.

FROEDTERT HEALTH, INC. AND AFFILIATES

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(Dollar amounts in thousands)

Data relative to the FMLH Plan for the years ended June 30, 2012 and 2011 follows:

	2012	2011
Change in pension benefit obligation:		
Projected benefit obligation at beginning of year	\$ 52,073	52,065
Service cost	992	1,098
Interest cost	2,821	2,792
Actuarial loss (gain)	12,415	(2,192)
Expenses paid	(269)	(282)
Benefits paid	(1,557)	(1,408)
Projected benefit obligation at end of year	\$ 66,475	52,073
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 38,232	30,199
Actual return on plan assets	729	6,812
Employer contributions	2,290	2,911
Expenses paid	(269)	(282)
Benefits and expenses paid	(1,557)	(1,408)
Fair value of plan assets at end of year	\$ 39,425	38,232
Funded status	\$ (27,050)	(13,841)
	2012	2011
Amounts not yet reflected in net periodic benefit costs and included as an accumulated reduction to unrestricted net assets:		
Prior service cost	\$ 98	139
Accumulated loss	23,770	9,957
Unrecognized pension costs	\$ 23,868	10,096
Net periodic pension cost is comprised of the following:		
Service cost	\$ 993	1,098
Interest cost on projected benefit obligation	2,821	2,792
Expected return on plan assets	(2,842)	(2,272)
Net amortization and deferral	41	176
Recognized actuarial loss	714	1,875
Net periodic pension cost	\$ 1,727	3,669

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(Dollar amounts in thousands)

	<u>2012</u>	<u>2011</u>
Assumptions used:		
Discount rate for measurement of pension obligation	3.98%	5.53%
Discount rate for determining net periodic pension cost	5.53	5.46
Rate of increase in compensation levels	4.00	4.00
Expected return of plan assets	7.00	7.50

The long-term rate of return on assets reflects historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio. FMLH's investment strategy is of a long-term nature and is intended to ensure that funds are available to pay benefits as they become due and to maximize total return at an appropriate level of investment risk.

The employer contribution for the FMLH Plan for the year ending June 30, 2013 is estimated to be \$2,797. The benefits expected to be paid in each year from 2013 through 2017 are expected to be \$2,316, \$2,560, \$2,778, \$2,988, and \$3,216, respectively. The aggregate benefits to be paid in the five years from 2018 through 2022 are expected to be \$18,970. The expected benefits to be paid are based on the same assumptions used to measure the projected benefit obligation at June 30, 2012.

The amounts that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2013 are estimated to be \$47.

The weighted average asset allocation of the pension plan at June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Equity securities	58%	60%
Debt securities	40	37
Cash and cash equivalents	2	3
Total	<u>100%</u>	<u>100%</u>

FMLH intends to provide an appropriate range on investment options that span the risk/return spectrum. The investment options will allow for construction of a portfolio consistent with plan circumstances, goals, time horizons, and tolerance for risk. Major asset classes to be offered include:

<u>Asset class</u>	<u>Target percentage</u>
Equity securities	50% – 70%
Debt securities	30% – 50%
Other	—%

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CMH is the sponsor of a noncontributory, defined benefit pension plan (the CMH Plan), which covers substantially all employees of CMH who work at least 1,000 hours in a 12-consecutive month period. CMH funds the amount calculated by the CMH Plan's consulting actuary to meet the minimum Employee Retirement Income Security Act funding requirements. The CMH Plan uses the projected-unit-credit-cost actuarial method. The CMH Plan amortizes prior service cost on a straight-line basis over the average remaining service period of employees expected to receive benefits under the CMH Plan. Actuarial gains or losses are deferred to the extent that, as of the beginning of the year, the unrecognized net gain or loss does not exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets. If recognition is required, the excess gain or loss is amortized in the same manner as the prior service cost.

Effective December 31, 2007, the CMH Plan no longer accepted new participants. No additional benefits will accrue for participants who have not attained age 40 or those with less than five years of vesting service as of December 31, 2007. Participation in a defined contribution plan was offered to participants who were affected by this change.

Data relative to the CMH Plan for the years ended June 30, 2012 and 2011 follows:

		June 30	
		2012	2011
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	\$	79,667	74,599
Service cost		2,636	2,474
Interest cost		4,452	4,101
Actuarial loss		21,938	778
Expenses paid		(368)	(399)
Benefits paid		(2,010)	(1,886)
Projected benefit obligation at end of year	\$	<u>106,315</u>	<u>79,667</u>
Change in plan assets:			
Fair value of plan assets at beginning of year	\$	55,545	37,990
Actual return on plan assets		1,175	9,004
Employer contributions		5,340	10,836
Expenses paid		(368)	(399)
Benefits paid		(2,010)	(1,886)
Fair value of plan assets at end of year	\$	<u>59,682</u>	<u>55,545</u>
Funded status	\$	<u>(46,633)</u>	<u>(24,122)</u>

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	June 30	
	2012	2011
Amounts not yet reflected in net periodic benefit costs and included as an accumulated reduction to unrestricted net assets:		
Prior service cost	\$ 193	238
Accumulated loss	47,434	24,787
Unrecognized pension costs	<u>\$ 47,627</u>	<u>25,025</u>
Net periodic pension cost consists of the following:		
Service cost	\$ 2,636	2,474
Interest cost	4,452	4,101
Expected return on plan assets	(4,104)	(3,314)
Net amortization and deferral	45	45
Recognized actuarial loss	2,220	2,218
Net periodic pension cost	<u>\$ 5,249</u>	<u>5,524</u>
Assumptions used:		
Discount rate for measurement of pension obligation	4.14%	5.67%
Discount rate for determining net periodic pension cost	5.67	5.57
Rate of increase in compensation levels	3.30 – 4.00	4.00
Expected long-term rate of return on assets	7.00	7.50

The long-term rate of return on assets reflects historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio. CMH's investment strategy is of a long-term nature and is intended to ensure that funds are available to pay benefits as they become due and to maximize the investments' total return at an appropriate level of investment risk.

The minimum employer contributions for the CMH Plan for the year ending June 30, 2013 are estimated to be \$5,270. The benefits expected to be paid in each year from 2013 through 2017 are approximately \$2,488, \$2,791, \$3,057, \$3,329, and \$3,734, respectively. The aggregate benefits to be paid in the five years from 2018 through 2022 are approximately \$26,636. The expected benefits to be paid are based on the same assumptions used to measure the projected benefit obligation at June 30, 2012.

The amounts that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2013 are estimated to be \$45.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

The weighted average asset allocation of the CMH Plan at June 30 follows:

	June 30	
	2012	2011
Equity securities	58%	60%
Debt securities	40	37
Other	2	3
Total	100%	100%

CMH intends to provide an appropriate range on investment options that span the risk/return spectrum. The investment options will allow for construction of a portfolio consistent with plan circumstances, goals, time horizons, and tolerance for risk. Major asset classes to be offered include:

Asset class	Target percentage
Equity securities	50% – 70%
Debt securities	30% – 50%
Other	—%

Fair Value Measurements

The following methods and assumptions were used by FH in estimating the fair value of its financial instruments of the FMLH and CMH defined benefit plans (the Plans):

- Fair values of the Plans' investments are estimated based on prices provided by its investment managers and its custodian bank. Fair value for cash and cash equivalents, corporate stocks, pooled equity funds, international equity funds, U.S. government securities, corporate and foreign bonds, and annuity contracts are measured using quoted market prices; other observable inputs such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets at the reporting date multiplied by quantity held.

Fair Value Hierarchy

The Plans apply the provisions of ASC Subtopic No. 715-20-50, *Defined Benefit Plans – Disclosure*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic No. 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

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

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Plan assets				
Investments				
Cash and short-term				
investments consisting				
of money				
market funds	\$ 2,436	—	2,436	—
Corporate stocks	35,614	35,614	—	—
Pooled equity funds	14,987	14,987	—	—
International equity funds	9,085	9,085	—	—
Corporate and foreign bonds	15,196	—	15,196	—
U S government securities	19,902	—	19,902	—
Annuity contract	1,887	—	—	1,887
Total	\$ 99,107	59,686	37,534	1,887

The following table is a rollforward of the Plan's assets and liabilities that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2011	\$ 3,676
Gains/losses and investment income, net	279
Purchases, issuances, and write-offs, net	32
Disbursements, net	(2,100)
Fair value at June 30, 2012	<u>\$ 1,887</u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

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

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Plan assets				
Investments				
Cash and short-term investments consisting of money market funds	\$ 2,869	—	2,869	—
Corporate stocks	33,936	33,936	—	—
Pooled equity funds	13,178	13,178	—	—
International equity funds	8,731	8,731	—	—
Corporate and foreign bonds	12,820	—	12,820	—
U S government securities	18,567	—	18,567	—
Annuity contract	3,875	—	—	3,875
Liabilities				
Accrued loss on securities on loan	(199)	—	—	(199)
Total	\$ 93,777	55,845	34,256	3,676

The following table is a rollforward of the Plan's assets and liabilities that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2010	\$ 5,282
Gains/losses and investment income, net	470
Purchases, issuances, and write-offs, net	33
Disbursements, net	(2,109)
Fair value at June 30, 2011	<u>\$ 3,676</u>

(c) Postretirement Medical Plan

FMLH has an unfunded postretirement medical plan (the FMLH Medical Plan) that covers certain former Milwaukee County employees who became employees of FMLH. These employees had less

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

than 15 years of vesting service and were not vested in Milwaukee County's postretirement medical benefit plan. FMLH is responsible for providing the postretirement benefit coverage for this population if they achieve 15 years of vesting service (Milwaukee County & Froedtert combined) and they retire from FMLH.

The projected benefit obligation at June 30, 2012 and 2011 using a discount rate of 4.00% and 5.51% was \$4,017 and \$3,521, respectively, of which \$117 and \$109, respectively, are included in short-term liabilities and \$3,900 and \$3,412, respectively, are included in other long-term liabilities in the consolidated balance sheets.

(13) Professional Liability Insurance

FMLH, CMH, SJCH, WBC, and FPP have professional liability insurance for claim losses of less than \$1,000 per claim and \$3,000 per year for professional liability claims incurred during a policy year, regardless of when the claim is reported (claims-occurred basis). Losses in excess of these amounts are covered through the FMLH, CMH, SJCH, WBC, and FPP mandatory participation in the Injured Patients' and Families Compensation Fund of the State of Wisconsin.

(14) Commitments and Contingencies

(a) Leases

FH, FMLH, CMH, SJCH, WBC, FPP, and PPN lease equipment and office space under the terms of various operating leases. Rent expense for these leases was approximately \$26,507 and \$26,287 for the years ended June 30, 2012 and 2011, respectively, included in the consolidated statements of operations.

Future minimum operating lease payments, excluding the land lease with Milwaukee County (note 5), that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012 are as follows:

2013	\$	11,494
2014		8,118
2015		7,560
2016		7,258
2017		5,961
Thereafter		13,980

FMLH has agreed to lease certain space to MCW through the year 2025 under an operating lease that calls for a base rent and additional rent allocated for the expenses incurred. Rental income of approximately \$6,764 and \$7,066 for space leased to MCW is included in other operating revenue for the years ended June 30, 2012 and 2011, respectively, in the consolidated statements of operations. Also included in other operating revenue for the years ended June 30, 2012 and 2011 was a total of \$3,544 and \$3,620, respectively, for certain other leased space to MCW and United/Dynacare, LLC. Future minimum lease revenue for the leases with MCW and

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

United/Dynacare, LLC are \$2,681 for 2013, \$1,733 for 2014 and 2015, \$1,096 for 2016, and \$14,242 thereafter.

(b) Health Insurance

FMLH, CMH, SJCH, WBC, and FPP have self-insured health plans that cover substantially all liability for health costs associated with claims for employees up to certain limits under a commercial stop-loss agreement. Provisions for self-insured health claims include the ultimate cost of claims reported and claims incurred but not reported as of the consolidated balance sheet dates. Included in other accrued expenses at June 30, 2012 and 2011 are estimated amounts payable for health insurance claims incurred as of such dates of approximately \$5,603 and \$5,119, respectively.

(c) Regulatory Investigation and Other

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

(d) Litigation

FH is subject to various legal proceedings and claims that are incidental to its normal business activities. In the opinion of FH, the amount of ultimate liability with respect to these actions will not materially affect the consolidated operations or net assets of FH.

(e) Medicare

The Wisconsin Department of Health Services, Division of Quality Assurance ("DQA"), on behalf of the Centers for Medicare and Medicaid Services ("CMS"), routinely, or as a result of a complaint, surveys healthcare providers for compliance with the Conditions of Participation for Medicare. Deficiencies in a survey conducted by DQA that are not corrected can ultimately result in a recommendation by DQA to CMS that a Medicare participation agreement be terminated. The DQA issued a letter to FMLH in July, 2012 stating FMLH was not in compliance with the Condition of Participation regarding physical environment. FMLH has submitted to DQA a plan of correction for the alleged deficiencies and all other requested information within the required time periods. While management anticipates that the plan of correction and corrective action will be accepted with no termination or delay in receipt of reimbursement from Medicare, as with any regulatory action, there are no assurances that reimbursement to FMLH may not be adversely affected for some period of time.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(Dollar amounts in thousands)

(15) Claims and Settlements

The consolidated statements of operations for the year ended June 30, 2012 contain a reduction of operating expenses relating to one-time settlements of \$27,195 that were received or realizable during the fiscal year. A summary of these nonrecurring settlements are as follows:

(a) *Building Defect Settlement*

In May 2012, an affiliate of FH received \$15,564 relating to settlement of a lawsuit involving failures in the building shell of an addition that was constructed in 2001. The settlement covers the estimated cost of repairs for the building, business interruption, attorney fees, and other related costs.

(b) *FICA Settlement*

The Medical College of Wisconsin Affiliated Hospitals, Inc. (MCWAH) has received refunds from the Internal Revenue Service of the employer portion of FICA paid by FMLH during certain past periods dating back to 1998. These refunds were returned to FMLH in July 2012 as a return of the stipend and benefit support that was provided for house staff in training during those periods. The amounts that were returned to FMLH totaled \$11,631 that represented a return of employer FICA paid of \$6,033 and interest of \$5,598.

(16) Subsequent Events

Subsequent events have been evaluated through September 7, 2012 which is the date the financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2012

(In thousands)

Schedule I

Assets

Current assets	
Cash and cash equivalents	
Assets whose use is limited	
Patient accounts receivable, net of estimated uncollectibles of \$42,207	
Other receivables	
Inventories	
Collateral held for securities loaned	
Prepays and other	
Total current assets	
Investments	
Assets whose use is limited or restricted	
Investments in unconsolidated affiliates	
Property, plant and equipment, net	
Deferred financing costs and other assets, net	
Total assets	

Liabilities and Net Assets

Current liabilities	
Current installments of long-term debt	
Accounts payable	
Accrued expenses	
Payable under securities lending agreement	
Estimated settlements to third-party payor	
Total current liabilities	
Long-term debt, less current installments	
Other long-term liabilities	
Total liabilities	
Net assets (deficit)	
Unrestricted	
Unrestricted net assets of Froedert Health, Inc. and Affiliate-	
Noncontrolling interests in consolidated joint venture	
Total unrestricted	
Temporarily restricted	
Permanently restricted	
Total net assets	
Total liabilities and net assets	

	Froedtert Memorial Lutheran Hospital	Froedtert Hospital Foundation	Froedtert Surgery Center	Eliminations and consolidating entries	Consolidated Froedtert Memorial Lutheran Hospital
\$	34,932	3,266	1,475	—	39,673
	—	—	—	—	133,300
	132,304	—	996	—	18,195
	17,741	658	—	(204)	12,768
	12,662	—	106	—	204,618
	204,618	—	—	—	3,275
	3,235	—	40	—	411,829
	405,492	3,924	2,617	(204)	708,030
	700,854	7,176	—	—	35,490
	46,462	7,595	—	(18,567)	40
	1,605	—	—	(1,565)	310,293
	309,158	—	1,135	—	38,950
	38,950	—	—	—	1,504,632
\$	1,502,521	18,695	3,752	(20,336)	
\$	6,400	—	—	—	6,400
	38,330	128	455	(204)	38,709
	42,161	—	167	—	42,328
	204,618	—	—	—	204,618
	5,451	—	—	—	5,451
	296,960	128	622	(204)	297,506
	297,780	—	—	—	297,780
	67,901	—	—	—	67,901
	662,641	128	622	(204)	663,187
	819,182	10,979	3,130	(3,130)	830,161
	—	—	—	1,565	1,565
	819,182	10,979	3,130	(1,565)	831,726
	20,332	7,222	—	(18,201)	9,353
	366	366	—	(366)	366
	839,880	18,567	3,130	(20,132)	841,445
\$	1,502,521	18,695	3,752	(20,336)	1,504,632

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2012

(In thousands)

Schedule I

	Community Memorial Hospital	Community Memorial Foundation	Community Outpatient Health Services	Eliminations and consolidating entries	Consolidated Community Memorial Hospital
Assets					
Current assets					
Cash and cash equivalents	\$ 24,081	790	17	—	24,888
Assets whose use is limited	983	—	—	—	983
Patient accounts receivable, net of estimated uncollectibles of \$42,207	23,901	—	—	—	23,901
Other receivables	655	13	183	(250)	601
Inventory	4,150	—	—	—	4,150
Collateral held for securities loaned	33,569	—	—	—	33,569
Prepays and other	1,818	—	—	—	1,818
Total current assets	89,157	803	200	(250)	89,910
Investments	111,978	1,905	—	—	113,883
Assets whose use is limited or restricted	13,651	2,981	—	—	16,632
Investments in unconsolidated affiliates	11,800	—	—	(5,400)	6,400
Property, plant and equipment, net	81,377	—	—	—	81,377
Deferred financing costs and other assets, net	328	—	—	—	328
Total assets	\$ 308,291	\$ 689	200	(5,650)	308,530
Liabilities and Net Assets					
Current liabilities					
Current installments of long-term debt	\$ 1,438	—	—	—	1,438
Accounts payable	12,731	262	10	(250)	12,753
Accrued expenses	6,065	27	—	—	6,092
Payable under securities lending agreement	33,569	—	—	—	33,569
Estimated settlements to third-party payor	100	—	—	—	100
Total current liabilities	53,903	289	10	(250)	53,952
Long-term debt, less current installments	61,948	—	—	—	61,948
Other long-term liabilities	54,171	—	—	—	54,171
Total liabilities	170,022	289	10	(250)	170,071
Net assets (deficit)					
Unrestricted	137,303	4,434	190	(4,434)	137,493
Unrestricted net assets of Froedert Health, Inc. and Affiliate-	—	—	—	—	—
Noncontrolling interests in consolidated joint venture	137,303	4,434	190	(4,434)	137,493
Total unrestricted	906	906	—	(906)	906
Temporarily restricted	—	—	—	—	—
Permanently restricted	138,269	5,400	190	(5,400)	138,459
Total net assets	308,291	5,689	200	(5,650)	308,530
Total liabilities and net assets	\$ 308,291	\$ 689	200	(5,650)	308,530

FROEDERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2012

(In thousands)

Schedule I

	St. Joseph's Community Hospital	St. Joseph's Community Foundation	Eliminations and consolidating entries	Consolidated St. Joseph's Community Hospital
Assets				
Current assets				
Cash and cash equivalents	\$ 6,143	808	—	6,951
Assets whose use is limited	371	—	—	371
Patient accounts receivable, net of estimated uncollectibles of \$42,207	9,378	—	—	9,378
Other receivables	62	150	(18)	194
Inventory	1,873	—	—	1,873
Collateral held for securities loaned	—	—	—	—
Prepays and other	682	5	—	687
Total current assets	18,509	963	(18)	19,454
Investments				
Assets whose use is limited or restricted	23,851	30,622	—	54,473
Investments in unconsolidated affiliates	5,810	7,587	—	13,397
Property, plant and equipment, net	20	—	—	20
Deferred financing costs and other assets, net	77,328	—	—	77,328
	954	—	—	954
Total assets	\$ 126,472	\$ 39,172	(18)	\$ 165,626
Liabilities and Net Assets				
Current liabilities				
Current installments of long-term debt	748	—	—	748
Accounts payable	5,531	32	(18)	5,545
Accrued expenses	2,880	—	—	2,880
Payable under securities lending agreement	—	—	—	—
Estimated settlements to third-party payor	360	—	—	360
Total current liabilities	9,519	32	(18)	9,533
Long-term debt, less current installments	55,075	—	—	55,075
Other long-term liabilities	2,414	—	—	2,414
Total liabilities	67,008	32	(18)	67,022
Net assets (deficit)				
Unrestricted				
Unrestricted net assets of Froedert Health, Inc. and Affiliate-	\$9,316	38,657	—	97,973
Noncontrolling interests in consolidated joint venture	—	—	—	—
Total unrestricted	\$9,316	38,657	—	97,973
Temporarily restricted	148	481	—	629
Permanently restricted	—	2	—	2
Total net assets	\$9,464	39,140	—	98,604
Total liabilities and net assets	\$ 126,472	\$ 39,172	(18)	\$ 165,626

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2012

(In thousands)

Schedule I

						Consolidated Froedtert Health, Inc. (Parent Only)
Assets						
Current assets						
Cash and cash equivalents	\$	9,854	179	—	—	10,033
Assets whose use is limited		—	—	—	—	—
Patient accounts receivable, net of estimated uncollectibles of \$42,207		—	343	—	—	343
Other receivables		57,130	—	—	—	57,130
Inventories		—	302	—	—	302
Collateral held for securities loaned		—	—	—	—	—
Prepays and other		4,885	18	—	—	4,903
Total current assets		71,869	842	—	—	72,711
Investments		—	—	—	—	—
Assets whose use is limited or restricted		—	—	—	—	4,503
Investments in unconsolidated affiliates		4,503	—	—	—	23,293
Property, plant and equipment, net		23,677	—	—	(384)	93,763
Deferred financing costs and other assets, net		93,704	59	—	—	1,527
		1,343	184	—	—	—
Total assets	\$	195,096	1,085	—	(384)	195,797
Liabilities and Net Assets						
Current liabilities						
Current installments of long-term debt	\$	335	—	—	—	335
Accounts payable		10,242	445	—	—	10,687
Accrued expenses		66,226	1	—	—	66,227
Payable under securities lending agreement		—	—	—	—	—
Estimated settlements to third-party payor		—	—	—	—	—
Total current liabilities		76,803	446	—	—	77,249
Long-term debt, less current installments		62,233	—	—	—	62,233
Other long-term liabilities		—	—	—	—	—
Total liabilities		139,036	446	—	—	139,482
Net assets (deficit)						
Unrestricted		—	—	—	—	—
Unrestricted net assets of Froedtert Health, Inc. and Affiliate-		56,060	639	—	(639)	56,060
Noncontrolling interests in consolidated joint ventures		—	—	—	255	255
Total unrestricted		56,060	639	—	(384)	56,315
Temporarily restricted		—	—	—	—	—
Permanently restricted		—	—	—	—	—
Total net assets		56,060	639	—	(384)	56,315
Total liabilities and net assets	\$	195,096	1,085	—	(384)	195,797

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2012

(In thousands)

Schedule I

Assets

Current assets	
Cash and cash equivalents	\$ 3,095
Assets whose use is limited	294
Patient accounts receivable, net of estimated uncollectibles of \$42,207	6,036
Other receivables	4,029
Inventories	12
Collateral held for securities loaned	2,839
Prepays and other	657
	—
	293
Total current assets	13,214
Investments	—
Assets whose use is limited or restricted	4,642
Investments in unconsolidated affiliates	1,388
Property, plant, and equipment, net	—
Deferred financing costs and other assets, net	6,263
	1,213
Total assets	\$ 25,332

Liabilities and Net Assets

Current liabilities	
Current installments of long-term debt	\$ —
Accounts payable	5,136
Accrued expenses	18,610
Payable under securities lending agreement	5,362
Estimated settlements to third-party payors	—
Total current liabilities	23,746
Long-term debt, less current installments	11,267
Other long-term liabilities	—
Total liabilities	11,267
Net assets (deficit)	
Unrestricted	(1,214)
Noncontrolling interests in consolidated joint ventures	2,714
Total unrestricted	2,714
Temporarily restricted	—
Permanently restricted	—
Total net assets	2,714
Total liabilities and net assets	\$ 25,332

See accompanying independent auditor's report

	West Bend Clinic	Froedtert Physician Partners	Progressive Physician Network	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc.
	\$				
	3,095	2,533	71	—	87,244
	294	—	—	—	1,648
	6,036	4,029	—	—	176,987
	2,839	12	71	(58,149)	20,893
	657	—	—	—	19,750
	—	—	—	—	238,187
	293	192	1	—	11,169
	13,214	6,766	143	(58,149)	555,878
	—	—	—	—	876,386
	4,642	1,388	—	—	76,052
	—	—	—	—	29,753
	6,263	5,766	22	—	574,812
	1,213	61	—	—	43,033
	\$ 25,332	13,981	165	(58,149)	2,155,914
	\$				
	—	—	—	—	8,921
	5,136	5,905	2,870	(58,149)	23,456
	18,610	5,362	8	—	141,507
	—	—	—	—	238,187
	—	—	—	—	5,911
	23,746	11,267	2,878	(58,149)	417,982
	—	—	—	—	477,036
	2,800	—	—	—	127,286
	26,546	11,267	2,878	(58,149)	1,022,304
	(1,214)	2,714	(2,713)	—	1,120,474
	—	—	—	—	1,820
	(1,214)	2,714	(2,713)	—	1,122,294
	—	—	—	—	10,948
	—	—	—	—	368
	(1,214)	2,714	(2,713)	—	1,133,610
	25,332	13,981	165	(58,149)	2,155,914

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2012

(In thousands)

Schedule 2

	Froedtert Memorial Lutheran Hospital	Froedtert Hospital Foundation	Froedtert Surgery Center	Eliminations and consolidating entries	Consolidated Froedtert Memorial Lutheran Hospital
Revenues					
Net patient service revenue	\$ 978,611	—	7,874	—	986,485
Other operating revenue	39,144	1,528	—	(1,135)	39,537
Total revenues	1,017,755	1,528	7,874	(1,135)	1,026,022
Expenses					
Salaries	252,461	548	2,006	(548)	254,467
Fringe benefits	18,412	146	—	(146)	18,412
Supplies	187,260	11	2,164	—	189,435
Contract services	83,318	—	—	—	83,318
Affiliate support	63,319	—	—	—	63,319
Provision for bad debts	56,800	—	285	—	57,085
Depreciation and amortization	30,383	217	217	—	30,600
Interest	12,701	—	—	—	12,701
Other	104,602	1,248	2,321	—	108,171
Corporate allocations	146,867	—	—	—	146,867
Claims and settlements	(11,631)	—	—	—	(11,631)
Total expenses	944,492	1,953	6,993	(694)	952,744
(Operating revenues in excess (deficient) of) expenses	73,263	(425)	881	(441)	73,278
Nonoperating gains and losses					
Investment income	26,465	353	—	—	26,818
Change in net unrealized gains and losses on investments	(13,304)	(167)	—	—	(13,471)
Change in fair value of interest rate swaps	(20,216)	—	—	—	(20,216)
Loss on disposal of property, plant and equipment	(170)	—	—	—	(170)
Revenues and gains in excess (deficient) of expenses and losses	66,038	(239)	881	(441)	66,239
Other changes in unrestricted net assets					
Transfers (to) from affiliates	(1,341)	—	—	—	(1,341)
Contributions and net assets released from restriction for property, plant and equipment	2,154	—	—	—	2,154
Change in accrued pension benefits other than net periodic benefit cost	(3,656)	—	—	—	(3,656)
Forgiveness of receivable from Foundation	(657)	657	—	—	—
Other	21	2	(1)	1	23
Increase (decrease) in unrestricted net assets	62,559	420	880	(440)	63,419
Unrestricted net assets (deficit) at beginning of year	756,623	10,559	2,250	(1,125)	768,307
Unrestricted net assets (deficit) at end of year	\$ 819,182	10,979	3,130	(1,565)	831,726

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2012

(In thousands)

Schedule 2

	Community Memorial Hospital	Community Memorial Foundation	Community Outpatient Health Services	Eliminations and consolidating entries	Consolidated Community Memorial Hospital
Revenues					
Net patient service revenue	\$ 177,421	—	—	—	177,421
Other operating revenue	4,915	816	923	(949)	5,705
Total revenues	182,336	816	923	(949)	183,126
Expenses					
Salaries	60,024	—	108	(166)	59,966
Fringe benefits	4,398	—	—	—	4,398
Supplies	33,978	—	389	—	34,367
Contract services	7,997	—	—	—	7,997
Affiliate support	—	—	—	—	—
Provision for bad debts	6,713	—	—	—	6,713
Depreciation and amortization	8,692	—	—	—	8,692
Interest	2,447	—	—	—	2,447
Other	21,044	462	393	(354)	21,545
Corporate allocations	34,540	—	—	—	34,540
Claims and settlements	(15,564)	—	—	—	(15,564)
Total expenses	164,269	462	890	(520)	165,101
(*) Operating revenues in excess (deficient) of expenses	18,067	354	33	(429)	18,025
Nonoperating gains and losses					
Investment income	4,235	174	—	—	4,409
Change in net unrealized gains and losses on investments	(2,258)	(99)	—	—	(2,357)
Change in fair value of interest rate swaps	(4,288)	—	—	—	(4,288)
Loss on disposal of property, plant and equipment	(2,061)	—	—	—	(2,061)
Revenues and gains in excess (deficient) of expenses and losses	15,550	429	33	(429)	15,583
Other changes in unrestricted net assets					
Transfers (to) from affiliates	(528)	(9)	—	—	(537)
Contributions and net assets released from restriction for property, plant and equipment	—	9	—	—	9
Change in accrued pension benefits other than net periodic benefit cost	(22,602)	—	—	—	(22,602)
Forgiveness of receivable from Foundation	—	—	—	—	—
Other	(16)	1	(1)	(1)	—
Increase (decrease) in unrestricted net assets	(7,596)	430	32	(430)	(7,564)
Unrestricted net assets (deficit) at beginning of year	144,899	4,004	158	(4,004)	145,057
Unrestricted net assets (deficit) at end of year	\$ 137,303	4,434	190	(4,434)	137,493

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2012

(In thousands)

Schedule 2

	St. Joseph's Community Hospital	St. Joseph's Community Foundation	Eliminations and consolidating entries	Consolidated St. Joseph's Community Hospital
Revenues				
Net patient service revenue	\$ 84,877	—	—	84,877
Other operating revenue	3,154	313	—	3,467
Total revenues	88,031	313	—	88,344
Expenses				
Salaries	27,670	74	—	27,744
Fringe benefits	1,979	—	—	1,979
Supplies	15,400	61	—	15,461
Contract services	2,331	—	—	2,331
Affiliate support	—	—	—	—
Provision for bad debts	3,738	71	—	3,809
Depreciation and amortization	5,269	—	—	5,269
Interest	3,023	—	—	3,023
Other	9,670	308	—	9,978
Corporate allocations	16,187	—	—	16,187
Claims and settlements	—	—	—	—
Total expenses	85,267	514	—	85,781
(Operating revenues in excess (deficient) of) expenses	2,764	(201)	—	2,563
Nonoperating gains and losses				
Investment income	908	1,408	—	2,316
Change in net unrealized gains and losses on investments	(523)	(782)	—	(1,305)
Change in fair value of interest rate swaps	—	—	—	—
Loss on disposal of property, plant and equipment	(52)	—	—	(52)
Revenues and gains in excess (deficient) of expenses and losses	3,097	425	—	3,522
Other changes in unrestricted net assets				
Transfers (to) from affiliates	412	(139)	—	273
Contributions and net assets released from restriction for property, plant and equipment	13	—	—	13
Change in accrued pension benefits other than net periodic benefit cost	—	—	—	—
Forgiveness of receivable from Foundation	(95)	95	—	—
Other	(2)	192	—	190
Increase (decrease) in unrestricted net assets	3,425	573	—	3,998
Unrestricted net assets (deficit) at beginning of year	55,891	38,084	—	93,975
Unrestricted net assets (deficit) at end of year	\$ 59,316	\$ 38,657	—	\$ 97,973

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2012

(In thousands)

Schedule 2

	Froedtert Health, Inc. (Parent Only)	Froedtert Health Homtown Pharmacy	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc. (Parent Only)
Revenues				
Net patient service revenue	\$ —	3,536	—	3,536
Other operating revenue	244,170	—	(84)	244,086
Total revenues	244,170	3,536	(84)	247,622
Expenses				
Salaries	61,226	430	—	61,656
Fringe benefits	89,565	—	—	89,565
Supplies	2,894	2,733	—	5,627
Contract services	14,903	—	—	14,903
Affiliate support	—	—	—	—
Provision for bad debts	—	—	—	—
Depreciation and amortization	7,212	11	—	7,223
Interest	2,633	7	—	2,640
Other	51,873	216	—	52,089
Corporate allocations	—	—	—	—
Claims and settlements	—	—	—	—
Total expenses	230,306	3,397	—	233,703
(Operating revenues in excess (deficient) of expenses	13,864	139	(84)	13,919
Nonoperating gains and losses				
Investment income	—	—	—	—
Change in net unrealized gains and losses on investments	—	—	—	—
Change in fair value of interest rate swaps	—	—	—	—
Loss on disposal of property, plant and equipment	—	—	—	—
Revenues and gains in excess (deficient) of expenses and losses	13,864	139	(84)	13,919
Other changes in unrestricted net assets				
Transfers (to) from affiliates	(16,647)	—	—	(16,647)
Contributions and net assets released from restriction for property, plant and equipment	—	—	—	—
Change in accrued pension benefits other than net periodic benefit cost	—	—	—	—
Forgiveness of receivable from Foundation	—	—	—	—
Other	—	500	(300)	200
Increase (decrease) in unrestricted net assets	(2,783)	639	(384)	(2,528)
Unrestricted net assets (deficit) at beginning of year	58,843	—	—	58,843
Unrestricted net assets (deficit) at end of year	\$ 56,060	639	(384)	\$ 56,315

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2012

(In thousands)

Schedule 2

	West Bend Clinic	Froedtert Physician Partners	Progressive Physician Network	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc.
Revenues					
Net patient service revenue	\$ 76,327	49,373	—	—	1,378,019
Other operating revenue	1,666	1,859	66	(222,720)	73,666
Total revenues	77,993	51,232	66	(222,720)	1,451,685
Expenses					
Salaries	48,017	35,140	—	(1,252)	485,738
Fringe benefits	9,260	1,892	—	—	125,506
Supplies	5,056	5,102	29	(15)	255,062
Contract services	5,218	4,783	740	(2,089)	117,201
Affiliate support	—	—	—	—	63,319
Provision for bad debts	3,393	1,299	—	—	72,299
Depreciation and amortization	1,655	1,179	—	—	54,618
Interest	—	—	201	—	20,811
Other	9,118	5,394	—	(5,062)	201,434
Corporate allocations	7,733	8,975	—	(214,302)	(27,195)
Claims and settlements	—	—	—	—	—
Total expenses	89,450	63,764	970	(222,720)	1,368,793
Operating revenues in excess (deficient) of expenses	(11,457)	(12,532)	(904)	—	82,892
Nonoperating gains and losses					
Investment income	—	—	—	—	33,543
Change in net unrealized gains and losses on investments	—	—	—	—	(17,133)
Change in fair value of interest rate swaps	—	—	—	—	(24,504)
Loss on disposal of property, plant, and equipment	—	(22)	—	—	(450)
Revenues and gains in excess (deficient) of expenses and losses	(11,457)	(12,554)	(904)	—	74,348
Other changes in unrestricted net assets					
Transfers (to) from affiliates	6,001	12,251	—	—	—
Contributions and net assets released from restriction for property, plant, and equipment	—	—	—	—	2,176
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—	(26,258)
Forgiveness of receivable from Foundation	—	—	—	—	—
Other	—	—	—	—	396
Increase (decrease) in unrestricted net assets	(5,456)	(303)	(904)	—	50,662
Unrestricted net assets (deficit) at beginning of year	4,242	3,017	(1,809)	—	1,071,632
Unrestricted net assets (deficit) at end of year	(1,214)	2,714	(2,713)	—	1,122,294

See accompanying independent auditors' report

FROEDTERT HEALTH, INC. AND AFFILIATES

Schedule 3

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2012
(In thousands)

	Froedtert Memorial Lutheran Hospital	Froedtert Hospital Foundation	Froedtert Surgery Center	Eliminations and consolidating entries	Consolidated Froedtert Memorial Lutheran Hospital
Unrestricted net assets					
Revenues in excess (deficient) of expenses and losses:	\$ 66,038	(239)	881	(441)	66,239
Transfers (to) from affiliates	(1,341)	—	—	—	(1,341)
Net assets released from restrictions for property, plant, and equipment	2,154	—	—	—	2,154
Change in accrued pension benefits other than net periodic benefit cost	(3,656)	—	—	—	(3,656)
Forgiveness of receivable from Foundation	(657)	657	—	—	—
Other	21	2	(1)	1	23
Increase (decrease) in unrestricted net assets	62,559	420	880	(440)	63,419
Unrestricted net assets (deficit) at beginning of year	756,623	10,559	2,250	(1,125)	768,307
Unrestricted net assets (deficit) at end of year	\$ 819,182	10,979	3,130	(1,565)	\$ 831,726
Temporarily restricted net assets					
Change in net unrealized gains on investments:	\$ —	(137)	—	—	(137)
Restricted contributions	2,285	504	—	—	2,789
Restricted investment gain	—	176	—	—	176
Net assets released from restrictions for operations	—	(1,311)	—	—	(1,311)
Net assets released from restrictions for property, plant, and equipment	(2,154)	—	—	—	(2,154)
Change in beneficial interest in foundations	—	—	—	—	—
Other	(348)	—	—	348	—
Increase (decrease) in temporarily restricted net assets	(217)	(768)	—	348	(637)
Temporarily restricted net assets at beginning of year	20,549	7,990	—	(18,549)	9,990
Temporarily restricted net assets at end of year	\$ 20,332	7,222	—	(18,201)	\$ 9,353
Permanently restricted net assets					
Permanently restricted net assets at beginning of year	\$ 366	366	—	(366)	366
Permanently restricted net assets at end of year	\$ 366	366	—	(366)	\$ 366

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2012

(In thousands)

Schedule 3

	Community Memorial Hospital	Community Memorial Foundation	Community Outpatient Health Services	Eliminations and consolidating entries	Consolidated Community Memorial Hospital
Unrestricted net assets					
Revenues in excess (deficient) of expenses and losses:	\$ 15,550	429	33	(429)	15,583
Transfers (to) from affiliates	(528)	(9)	—	—	(537)
Net assets released from restrictions for property, plant, and equipment	(22,602)	9	—	—	9
Change in accrued pension benefits other than net periodic benefit cost	—	—	—	—	(22,602)
Forgiveness of receivable from Foundation	—	—	—	—	—
Other	(16)	1	(1)	(1)	(17)
Increase (decrease) in unrestricted net assets	(7,596)	430	32	(430)	(7,564)
Unrestricted net assets (deficit) at beginning of year	144,899	4,004	158	(4,004)	145,057
Unrestricted net assets (deficit) at end of year	<u>\$ 137,303</u>	<u>\$ 4,434</u>	<u>190</u>	<u>(4,434)</u>	<u>\$ 137,493</u>
Temporarily restricted net assets					
Change in net unrealized gains on investment:	\$ —	(8)	—	—	(8)
Restricted contributions	—	119	—	—	119
Restricted investment gain	—	14	—	—	14
Net assets released from restrictions for operations	—	(53)	—	—	(53)
Net assets released from restrictions for property, plant, and equipment	—	(9)	—	—	(9)
Change in beneficial interest in foundations	79	—	—	(79)	—
Other	—	16	—	—	16
Increase (decrease) in temporarily restricted net assets	79	79	—	(79)	79
Temporarily restricted net assets at beginning of year	887	887	—	(887)	887
Temporarily restricted net assets at end of year	<u>\$ 966</u>	<u>\$ 966</u>	<u>—</u>	<u>(966)</u>	<u>\$ 966</u>
Permanently restricted net assets					
Permanently restricted net assets at beginning of year	\$ —	—	—	—	—
Permanently restricted net assets at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>\$ —</u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2012

(In thousands)

Schedule 3

	St. Joseph's Community Hospital	St. Joseph's Community Foundation	Eliminations and consolidating entries	Consolidated St. Joseph's Community Hospital
Unrestricted net assets				
Revenues in excess (deficient) of expenses and losses:	\$ 3,097	425	—	3,522
Transfers (to) from affiliates	412	(139)	—	273
Net assets released from restrictions for property, plant, and equipment	13	—	—	13
Change in accrued pension benefits other than net periodic benefit cost	—	—	—	—
Forgiveness of receivable from Foundation	(95)	95	—	—
Other	(2)	192	—	190
Increase (decrease) in unrestricted net assets	3,425	573	—	3,998
Unrestricted net assets (deficit) at beginning of year	55,891	38,084	—	93,975
Unrestricted net assets (deficit) at end of year	<u>\$ 59,316</u>	<u>\$ 38,657</u>	<u>—</u>	<u>\$ 97,973</u>
Temporarily restricted net assets				
Change in net unrealized gains on investment:	\$ —	—	—	—
Restricted contributions	1	295	—	296
Restricted investment gain	—	—	—	—
Net assets released from restrictions for operations	(16)	(192)	—	(208)
Net assets released from restrictions for property, plant, and equipment	(13)	—	—	(13)
Change in beneficial interest in foundations	—	—	—	—
Other	—	—	—	—
Increase (decrease) in temporarily restricted net assets	(28)	103	—	75
Temporarily restricted net assets at beginning of year	176	378	—	554
Temporarily restricted net assets at end of year	<u>\$ 148</u>	<u>\$ 481</u>	<u>—</u>	<u>\$ 629</u>
Permanently restricted net assets				
Permanently restricted net assets at beginning of year	—	2	—	2
Permanently restricted net assets at end of year	<u>\$ —</u>	<u>\$ 2</u>	<u>—</u>	<u>\$ 2</u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2012

(In thousands)

Schedule 3

	Froedtert Health, Inc. (Parent Only)	Froedtert Health Hometown Pharmacy	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc. (Parent Only)
Unrestricted net assets				
Revenues in excess (deficient) of expenses and losses:				
Transfers (to) from affiliates	\$ 13,864	139	(84)	13,919
Net assets released from restrictions for property, plant, and equipment	(16,647)	—	—	(16,647)
Change in accrued pension benefits other than net periodic benefit cost	—	—	—	—
Forgiveness of receivable from Foundation	—	—	—	—
Other	—	500	(300)	200
Increase (decrease) in unrestricted net assets	(2,783)	639	(384)	(2,528)
Unrestricted net assets (deficit) at beginning of year	58,843	—	—	58,843
Unrestricted net assets (deficit) at end of year	<u>\$ 56,060</u>	<u>639</u>	<u>(384)</u>	<u>\$ 56,315</u>
Temporarily restricted net assets				
Change in net unrealized gains on investment:				
Restricted contributions	—	—	—	—
Restricted investment gain	—	—	—	—
Net assets released from restrictions for operations	—	—	—	—
Net assets released from restrictions for property, plant, and equipment	—	—	—	—
Change in beneficial interest in foundations	—	—	—	—
Other	—	—	—	—
Increase (decrease) in temporarily restricted net assets	—	—	—	—
Temporarily restricted net assets at beginning of year	—	—	—	—
Temporarily restricted net assets at end of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Permanently restricted net assets				
Permanently restricted net assets at beginning of year	—	—	—	—
Permanently restricted net assets at end of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2012

(In thousands)

	West Bend Clinic	Froedtert Physician Partners	Progressive Physician Network	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc.
Unrestricted net assets					
Revenues in excess (deficient) of expenses and losses	\$ (11,457)	(12,554)	(904)	—	74,348
Transfers (to) from affiliates	6,001	12,251	—	—	—
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	2,176
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—	(26,258)
Forgiveness of receivable from Foundation	—	—	—	—	—
Other	—	—	—	—	396
Increase (decrease) in unrestricted net assets	(5,456)	(303)	(904)	—	50,662
Unrestricted net assets (deficit) at beginning of year	4,242	3,017	(1,809)	—	1,071,632
Unrestricted net assets (deficit) at end of year	(1,214)	2,714	(2,713)	—	1,122,294
Temporarily restricted net assets					
Change in net unrealized gains on investments	—	—	—	—	(145)
Restricted contributions	—	—	—	—	3,204
Restricted investment gain	—	—	—	—	190
Net assets released from restrictions for operations	—	—	—	—	(1,572)
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	(2,176)
Change in beneficial interest in foundations	—	—	—	—	—
Other	—	—	—	—	16
Increase (decrease) in temporarily restricted net assets	—	—	—	—	(483)
Temporarily restricted net assets at beginning of year	—	—	—	—	11,431
Temporarily restricted net assets at end of year	—	—	—	—	10,948
Permanently restricted net assets					
Permanently restricted net assets	—	—	—	—	368
Permanently restricted net assets at beginning of year	—	—	—	—	—
Permanently restricted net assets at end of year	—	—	—	—	368

See accompanying independent auditors' report