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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

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
St Joseph's Medical Center

Doing Business As
ESSENTIA HEALTH ST JOSEPH'S MEDICAL

Number and street (or P O box if mail is not delivered to street address) | Room/suite
523 N 3rd Street

City or town, state or country, and ZIP + 4
Brainerd, MN 56401

D Employer identification number
41-0695602

E Telephone number
(218)829-2861

G Gross receipts $ 164,630,054

F Name and address of principal officer
Jani Wiebolt
523 N 3rd Street
Brainerd, MN 56401

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ www essentiahealth org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1901

M State of legal domicile MN

Part I Summary

1 Briefly describe the organization's mission or most significant activities
See Schedule O

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	8
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	6
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	1,322
6	Total number of volunteers (estimate if necessary)	**6**	243
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	555,832
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	293,396	702,933
9	Program service revenue (Part VIII, line 2g)	154,644,763	158,811,868
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,269,411	1,435,688
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	701,713	1,161,939
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	159,909,283	162,112,428
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	148,883	28,896
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	69,184,610	67,811,900
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	90,746,060	95,862,245
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	160,079,553	163,703,041
19	Revenue less expenses Subtract line 18 from line 12	-170,270	-1,590,613

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	176,697,873	185,423,581
21	Total liabilities (Part X, line 26)	43,680,666	57,124,696
22	Net assets or fund balances Subtract line 21 from line 20	133,017,207	128,298,885

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

****** 2013-05-01
Signature of officer Date

Adam Rees President
Type or print name and title

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ▶☐ | Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4
ERNST & YOUNG US LLP
41 S HIGH ST 1100 HUNTINGTON CTR
COLUMBUS, OH 43215

EIN ▶

Phone no ▶ (614) 232-7414

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

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

SEE SCHEDULE O

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code see schedule o) (Expenses $ 144,029,974 including grants of $ 28,896) (Revenue $ 158,811,868)

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 144,029,974

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

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

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	36		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	1,322			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

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

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 ▶

CHERYL HOSKINS
523 N 3RD STREET
Brainerd, MN 56401
(218) 828-7648

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) CHARLES Albrecht Board Chair thru 8/11	4 0	X		X				0	2,700	0
(2) Troy Couture MD Board Director	40 0	X						0	283,292	25,403
(3) Kevin Dens Board Director	1 0	X						0	0	0
(4) Sister Beverly Horn Board Secretary/Treasurer	2 0	X		X				0	0	0
(5) James Kraft Board vice chair	2 0	X		X				0	1,300	0
(6) Robert McLean Board Chair	2 0	X		X				0	2,350	0
(7) Vanessa Menghini MD Board Director thru 1/12	40 0	X						0	166,449	30,278
(8) Sister Judith Ann Oland Board Director	60 0	X						0	0	0
(9) Thomas Prusak Board Director	60 0	X						0	457,351	116,645
(10) TOM HAGLIN BOARD DIRECTOR	1 0	X						0	0	0
(11) Jani Wiebolt President	60 0			X				261,821	0	30,174
(12) Patricia DeLong VICE PRESIDENT/CNO	60 0			X				196,197	0	19,573
(13) Barb Anderson Vice President/CQO	60 0			X				150,832	0	24,839
(14) David Boran MD Chief Medical Officer	60 0				X			0	284,394	27,265
(15) MARK HAECKER MD PHYSICIAN	40 0					X		467,980	0	28,928
(16) ERIC CRABTREE MD PHYSICIAN	40 0					X		367,572	0	29,617
(17) COREY ANDERSON MD PHYSICIAN	40 0					X		341,728	0	26,153

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) SUBBA RAJU MD PHYSICIAN	40 0					X		306,122	0	29,928
(19) DOUGLAS VAN STEENWYK MD PHYSICIAN	40 0					X		305,073	0	30,617
(20) NICHOLAS BERNIER MD PHYSICIAN	40 0						X	198,692	0	22,589
(21) BONITA GRONEBERG REGIONAL COMPLIANCE DIRECTOR	40 0						X	105,337	0	10,635

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	2,701,354	1,197,836	452,644

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? *If "Yes," complete Schedule J for such individual*	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? *If "Yes," complete Schedule J for such individual*	4	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
CentraCare HEALTH SYSTEM 1200 6th Avenue North ST CLOUD, MN 56303	PHYSICIAN SERVICES	462,588
Dumatao LLC 13986 Cherrywood Dr BAXTER, MN 564258499	Physician Services	110,272

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 ▶ 2

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	515,542			
	e	Government grants (contributions)	1e	117,429			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	69,962			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		702,933			
Program Service Revenue			Business Code				
	2a	INPATIENT AND OUTPATIENT REVENUES	621110	157,930,302	157,930,302		
	b	INVESTMENT IN AMBULATORY SURGERY CENTER	900099	881,566	881,566		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		158,811,868			
	3	Investment income (including dividends, interest and other similar amounts)		1,281,205			1,281,205
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross rents	53,280				
	b	Less rental expenses	5,866				
	c	Rental income or (loss)	47,414				
	d	Net rental income or (loss)		47,414			47,414
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	165,672	2,500,571			
	b	Less cost or other basis and sales expenses		2,511,760			
	c	Gain or (loss)	165,672	-11,189			
	d	Net gain or (loss)		154,483			154,483
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events		0			
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities		0			
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory		0			
		Miscellaneous Revenue	Business Code				
	11a	CAFETERIA/VENDING REVENUES	722210	487,347			487,347
	b	OUTSIDE LAB SERVICES	621500	555,832		555,832	
	c	PROGRAM TUITION	900099	36,406			36,406
	d	All other revenue		34,940			34,940
	e	**Total.** Add lines 11a–11d		1,114,525			
	12	**Total revenue.** See Instructions		162,112,428	158,811,868	555,832	2,041,795

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	28,896	28,896		
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	696,843		696,843	
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	54,181,535	49,153,720	5,027,815	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,015,129	911,658	103,471	
9	Other employee benefits	8,122,959	7,305,515	817,444	
10	Payroll taxes	3,795,434	3,426,752	368,682	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	13,522		13,522	
c	Accounting	-19,259		-19,259	
d	Lobbying	1,079		1,079	
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	521,943		521,943	
g	Other	35,248,694	34,213,073	1,035,621	
12	Advertising and promotion	580,582	917	579,665	
13	Office expenses	7,271,597	6,239,020	1,032,577	
14	Information technology	2,375,663	2,105,058	270,605	
15	Royalties . .	0			
16	Occupancy	2,086,962	1,953,110	133,852	
17	Travel	233,073	172,180	60,893	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	160,093	127,823	32,270	
20	Interest	618,622	552,063	66,559	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	8,724,696	7,976,540	748,156	
23	Insurance	383,826	26,328	357,498	
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	MEDICAL SUPPLIES	18,733,293	18,691,031	42,262	
b	BAD DEBT EXPENSE	8,269,434	8,269,434		
c	AFFILIATE SUPPORT FEES	7,377,080		7,377,080	
d	MN CARE TAX	1,756,680	1,756,680		
e					
f	All other expenses	1,524,665	1,120,176	404,489	
25	**Total functional expenses.** Add lines 1 through 24f	163,703,041	144,029,974	19,673,067	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		331,784	1	28,688
	2	Savings and temporary cash investments		632,649	2	27,068,595
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		28,874,424	4	25,885,243
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		927,370	7	188,279
	8	Inventories for sale or use		2,981,507	8	3,927,398
	9	Prepaid expenses and deferred charges		677,368	9	463,486
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 170,599,572			
	b	Less accumulated depreciation	10b 110,626,989	54,441,318	10c	59,972,583
	11	Investments—publicly traded securities		10,478,590	11	1,003,288
	12	Investments—other securities See Part IV, line 11		66,706,197	12	64,786,984
	13	Investments—program-related See Part IV, line 11		9,623,520	13	1,143,244
	14	Intangible assets		665,000	14	601,667
	15	Other assets See Part IV, line 11		358,146	15	354,126
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		176,697,873	16	185,423,581
Liabilities	17	Accounts payable and accrued expenses		14,807,855	17	12,488,901
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		26,224,214	20	24,748,321
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		916,288	23	790,703
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		1,732,309	25	19,096,771
	26	**Total liabilities.** Add lines 17 through 25		43,680,666	26	57,124,696
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		133,017,207	27	128,298,885
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		133,017,207	33	128,298,885
	34	Total liabilities and net assets/fund balances		176,697,873	34	185,423,581

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	162,112,428
2	Total expenses (must equal Part IX, column (A), line 25)	2	163,703,041
3	Revenue less expenses Subtract line 2 from line 1	3	-1,590,613
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	133,017,207
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-3,127,709
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	128,298,885

Part XII Financial Statements and Reporting

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

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

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
St Joseph's Medical Center

Employer identification number
41-0695602

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test

Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
St Joseph's Medical Center	41-0695602

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		1,079
j	Total lines 1c through 1i			1,079
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule C, Part-II B		Lobbying Activity Explanation Essentia Health St Joseph's Medical Center PAYS DUES TO CERTAIN ORGANIZATIONS RELATED TO THE INDUSTRY WHICH HAVE LOBBYING EXPENSES THE AMOUNT LISTED IS THE PERCENTAGE OF THE DUES PAID THAT WERE USED FOR LOBBYING

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

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
St Joseph's Medical Center

Employer identification number
41-0695602

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,174,372		1,174,372
b Buildings		95,027,090	60,035,067	34,992,023
c Leasehold improvements				
d Equipment		70,800,367	50,588,925	20,211,442
e Other		3,597,743	2,997	3,594,746
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				59,972,583

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) POOLED INVESTMENT FUND	64,786,984	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	64,786,984	

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

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

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
NON CURRENT SWAP LIABLITY	821,661
ASSET RETIREMENT OBLIGATION	36,324
PAYABLES TO RELATED TAX-EXEMPT ORGS	18,227,652
UNCLAIMED PROPERTY	11,134
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	19,096,771

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule D part X		ASC 740 footnote Essentia Health has adopted Accounting Standards Codification 740, Income Taxes (formerly known as FASB Interpretation No 48 (FIN 48), Accounting for Uncertainty in Income Tax - an interpretation of FASB Statement No 109, Accounting for Income Taxes) The adoption of this interpretation had no material impact on the consolidated financial statements and therefore, Essentia Health's consolidated financial statements for fiscal year ended June 30, 2012 no longer includes an ASC 740 footnote

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
St Joseph's Medical Center

Employer identification number
41-0695602

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☑ Other **166. %**	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other **330. %**	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)		3,435	1,112,906	0	1,112,906	0 720 %
b Medicaid (from Worksheet 3, column a)			24,893,052	18,881,340	6,011,710	3 870 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			0	0	0	0 %
d **Total** Charity Care and Means-Tested Government Programs		3,435	26,005,958	18,881,340	7,124,616	4 590 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	19	5,560	77,156	0	77,156	0 050 %
f Health professions education (from Worksheet 5)	9	337	243,963	0	243,963	0 160 %
g Subsidized health services (from Worksheet 6)			0	0	0	0 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	24	6,487	126,354	0	126,354	0 080 %
j **Total** Other Benefits	52	12,384	447,473	0	447,473	0 290 %
k **Total.** Add lines 7d and 7j	52	15,819	26,453,431	18,881,340	7,572,089	4 880 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing		0	0	0	0	0 %
2	Economic development	2	1,800	2,938	0	2,938	0 %
3	Community support		0	0	0	0	0 %
4	Environmental improvements		0	0	0	0	0 %
5	Leadership development and training for community members	1	35	456	0	456	0 %
6	Coalition building	3	0	1,903	0	1,903	0 %
7	Community health improvement advocacy		0	0	0	0	0 %
8	Workforce development	2	192	4,202	0	4,202	0 %
9	Other		0	0	0	0	0 %
10	**Total**	8	2,027	9,499	0	9,499	0 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	8,269,434		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	59,792		
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	41,613,598		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	48,033,719		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-6,420,121		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1	BRAINERD LK SURGERY	OUTPATIENT SURGERY	50 000 %	0 %	50 000 %
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Essentia Healh St Joseph's Med Center 523 N 3rd Street Brainerd, MN 56401	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Essentia Healh St Joseph's Med Center

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 166 %			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 330 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

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

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

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

How many non-hospital facilities did the organization operate during the tax year? **12**

	Name and address	Type of Facility (Describe)
1	See Additional Data Table	
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
Schedule H, Part VI, Line 1		Provide the description required for Part I, lines 3c, 6a, 7g, 7, column (f), 7, Part II, Part III, lines 4, 8, 9b, Part V, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 18c, 18d, 19d, 20, 21 Part I, line 3c In addition to the federal poverty guidelines, an asset thre shold test is also applied Assets, excluding equity in home of $100,000, must be below $1 0,000 for a household of up to 2 and $20,000 for a household of 3 or more Assets include bank accounts, IRAs, second vehicles, recreational vehicles, and any additional real estat e If after application of discount from charity care the patient's remaining balance stil l exceeds the patient's annual household income, an additional discount of 50% will be app lied to the patient's remaining balance If the remaining balance after the charity care d iscount is between 50 and 100% of the patient's annual household income, an additional dis count of 25% will be applied to the patient's remaining balance Minnesota residents whose household income is less than $125,000 may also be eligible for the MN Uninsured Discount for hospital bills Part I, line 6a Essentia Health St Joseph's Medical Center community benefit information is consolidated into the Essentia Health community benefit informatio n which is included in the Essentia Health annual report The annual report is made availa ble to the public via the website at www essentiahealth org Essentia Health, headquartere d in Duluth, Minn , is an integrated health system serving patients in Minnesota, Wisconsi n, North Dakota and Idaho and is Essentia Health St Joseph's Medical Center's parent corp oration Part 1, line 7g Not Applicable Part I, line 7, column (f) Bad debt expense that was subtracted from total expense to obtain the % of community benefit to total expense am ounted to $8,269,434 Part I, line 7 The cost to charge ratio derived from Worksheet 2, Ra tio of Patient Care Cost-to-Charges was used to calculate the costs for the following comm unity benefits Charity Care and Unreimbursed Medicaid Actual costs were used for the rem ainder of the community benefits reported Part II - Describe how the organization's commu nity building activities, as reported in Part II, promote the health of the communities th e organization serves Chamber of Commerce The Bridges Workplace Connection is coordinate d by the Chamber as a link between education and business by providing structure for outco me-based, work-based learning experiences for high school students from 23 area high schoo ls The Bridges Career Academies offer high school juniors and seniors the opportunity to explore a career pathway to prepare for their post-secondary education through programs of study taught in their school by high school and college faculty Work-based learning and an introduction to entrepreneurship is included in all Academies St Joseph's Medical Cent er participates in the "Bridges Career Exploration Day" where high school students from ac ross central Minnesota are able to sample more than 150 career options through interaction with professionals in health care, business, public service, and higher education Health care Auxiliary's of Minnesota St Joseph's Medical Center's volunteer coordinator attends the Health Care Auxiliary of Minnesota annual meeting The Health Care Auxiliary of Minnes ota provides its members with opportunities to share ideas, develop leadership skills and promote volunteer services that support Minnesota's health care facilities Good Samaritan Communities St Joseph's Medical Center sponsors the Good Samaritan Bowl which raises mon ey to benefit Bethany's care centers and hospice services, including Bethany Good Samarita n Center in Brainerd, Woodland Good Samaritan Center in Brainerd, the Pine River Care Cent er and Good Samaritan Hospice of Nisswa ICSI Low Back Care Model St Joseph's Medical Cent er staff participates in the Institute for Clinical Systems Improvement Low Back Pain Care Model Subcommittee The ICSI's low back pain initiative has completed a number of milesto nes The Care Model subcommittee has identified the core elements for the management of lo w back pain The foundational work focuses on the conservative approach for the treatment of acute and sub acute low back pain Volunteer Coordinator Association St Joseph's Medic al Center's volunteer coordinator participates in the Crow Wing County Volunteer Coordinat ors Association by attending monthly meetings The CWC Volunteer Coordinators Association is affiliated with the Minnesota Association for Volunteer Administration which provides a forum to engage people involved in volunteerism across Minnesota to exchange information and ideas, and to link resources to build capacity MAVA provides news, information, profe ssional development and training opportunities to it's members MAVA firmly believes that volunteers are a critical resource for improving lives and communities Lakes Vybe St Jo seph' Medical Center sponsored a "Lakes Vybe" lunc

Identifier	ReturnReference	Explanation
Schedule H, Part VI, Line 1		heon This luncheon was coordinated by the Lakes Vybe committee for ages 21 to 40, offerin g educational programs and networking opportunities in order to enhance professional skill s and create a sense of belonging within the business community Member businesses are enc ouraged to sponsor a luncheon to share their message with the group Health Careers Class St Joseph's Medical Center collaborated with a local college and high school to provide a Health Careers Exploration course for high school juniors and seniors The course includ ed 34 sessions beginning January 2012 and concluded in May 2012 Students participated in classroom work, heard presentations by SJMC employees about their healthcare job cluster, and shadowed staff in various departments Students were certified in Healthcare Provider Basic Life Support, taught by St Joseph's Medical Center Students were eligible to recei ve college credit for the course This class will continue to be available to students at Brainerd High School in subsequent years, based on evaluations of this year's program Thr ough presentations, SJMC was able to share not only the science behind various healthcare careers, but also the compassion that is needed to be a successful healthcare professional Discussions included the unique privilege healthcare professionals have to administer to patients in a variety of settings Career presentations emphasized the importance of dire ct patient care and supportive roles, exposing students to a broad scope of opportunities in the healthcare field Students benefited from seeing in action the interdependency of v arious disciplines needed to deliver quality care The ethics presentation gave students t he opportunity to explore the role of justice in decision-making O ver twenty-five St Jos eph's employees demonstrated stewardship by giving of their time and sharing their experie nces and knowledge with the students Hospitality was demonstrated by introducing students to staff throughout the facility during their initial tour, providing a meeting place for classes, and at times providing refreshments Many organizations collaborated to design, support and deliver a successful Health Care Careers class Students were exposed to a var iety of technology in the healthcare setting, including digitalized radiology images, elec tronic medical records, ventilator, echocardiography, telemetry, and other patient care eq uipment This project was a creative way to recognize and affirm the youth of our communit y and open their minds to possibilities they did not know existed in the realm of healthca re careers The Healthcare Provider Basic Life Support training prepared students to respo nd to emergencies in the community This certification prepared students for entry level j obs in area nursing homes, group homes, life-guarding and childcare where BLS is often req uired Students discovered that goals they thought were prohibitive due to cost or length of time, were, in fact, attainable This understanding was attributed to staff who openly shared their own stories and challenges in achieving their career goals Part III, line 4 Discounts, charity care, and bad debt expense are accounted for as reductions to revenue Bad debt expense on patient accounts would be identified as any balance on the account, le ss any previous payments and discounts, that has aged and is absent of any payments If, d uring the collection process, it becomes known that the patient qualifies for charity care , the amounts included within bad debt expense would be reclassified to charity care Part III, Line 4 Essentia Health St Joseph's Medical Center is in the process of hiring a 3rd party to track bad debt accounts in order to presumptively quantify accounts within bad d ebt expense that would have qualified for financial assistance under the Essentia Health S t Joseph's Medical Center's financial assistance policy had the proper documentation been completed and filed As that tracking w

Identifier	ReturnReference	Explanation
Part VI, line 1 cont		Part V, line 11h not applicable Part V, line 13g not applicable Part V, line 15e not applicable Part V, line 16e not applicable Part V, line 17e Not applicable Part V, line 18c not applicable Part V, line 18d not applicable Part V, line 19d For patients known to qualify for the financial assistance program, discounts will be applied to billed amounts if the patient qualifies for discounted care and the billed amount will be fully discounted if the patient qualifies for free care Part V, line 20 not applicable Part V, line 21 not applicable

Identifier	ReturnReference	Explanation
Part VI, line 2		Needs assessment Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B Essentia Health St Joseph's Medical Center performs a periodic community survey of its primary, secondary, and tertiary service areas This survey includes demographic composition and trends and healthcare service utilization in major diagnostic categories This information is used for planning and improving new and existing services In addition, Essentia Health St Joseph's leadership participates in a variety of community activities which provide an opportunity to understand healthcare needs Finally, a telephone survey of residents in the primary service area has been deployed at intervals to help the organization understand the community's perceptions around such issues as access to care

Identifier	ReturnReference	Explanation
Part VI, line 3		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 Essentia Health St Joseph's Medical Center has brochures which include Financial Assistance information, Financial Assistance application and contact information on other federal and state government programs The availability of financial assistance is advertised prominently throughout the hospital including waiting room areas, the emergency room and at information desks As a part of the intake process, patients are provided the brochures explaining their financial assistance options Patients also receive this information upon discharge If during the patient's stay it is determined that they would be in need of financial assistance, a financial counselor will meet with the patient or their family to go over their financial assistance options including federal or state governmental programs or charity care Financial counselors will assist patients with the application process, mailing and follow-up Staff have been trained to refer patients to the financial counselor whenever a financial need is determined to exist Financial assistance information is provided to patients with billing letters as well

Identifier	ReturnReference	Explanation
Part VI, line 4		Community information Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves Essentia Health St Joseph's Medical Center is located in Brainerd, MN Essentia Health St Joseph's Medical Center is a part of the larger Essentia Health system, which is defined in Part VI, line 6 Essentia Health St Joseph's Medical Center operates 1 hospital and 12 clinics that serve the communities of Brainerd, Baxter, Pierz, Pequot Lakes, Pine River, Pillager, Cross Lake, and Hackensack The overall community is classified as a combination of suburban and rural Essentia Health St Joseph's Medical Center and its related clinics cover a service region of approximately 112,000 people The service region age distribution is 22 6% under the age of 18, 57 6% between the ages of 18 and 65, and 19 8% over the age of 65 The racial makeup of the service region is 95 3% Caucasian, 0 5% Black or African American, 2 3% American Indian or Alaskan Native, 0 3% Asian, 0 1% Pacific Islander or Hawaiian, 1 3% two or more races, and 0 2% other The gender split ratio is 50 3% women and 49 7% men The average income for the service area is approximately $53,000 Approximately 8 8% of the population falls below the federal poverty guidelines Essentia Health St Joseph's Medical Center, along with Essentia Health is committed to serve patients regardless of their ability to pay 4 4% net revenue dollars were from self pay patients In addition, approximately 26 2% of their net revenue dollars were Medicaid recipients Essentia Health St Joseph's Medical Center serves in federally-recognized underserved areas in Pierz, Pine River and Hackensack As mentioned above, Essentia Health St Joseph's Medical Center is part of a larger system, Essentia Health Essentia Health staffs hospitals and clinics in federally-recognized underserved areas and supports the health of its communities through an active outreach program that brings specialists like oncologists, cardiologists, neurologists and others into its smaller communities This eliminates barriers to care for many patients, particularly those who are elderly, living on low incomes, or are faced with other challenges that make it difficult to travel long distances for care There are 3 other hospitals outside of the Essentia Health umbrella that service the community

Identifier	ReturnReference	Explanation
Part VI, line 5		Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community Essentia Health St Joseph's Medical Center's board of directors consists of 5 members of the community it serves, 6 employed physicians who live in the community and 2 members employed by an affiliated organization Essentia Health St Joseph's Medical Center has an open Medical Staff, so any qualified physician of the community is allowed to apply All applicants that apply must meet the credentialing standards and be approved by our governing board in order to come and provide services in our system Any surplus funds are reinvested into the hospital by adding new capital equipment or buildings or replacing existing capital through the annual budgeting process Essentia Health St Joseph's Medical Center is a part of a larger system Essentia Health As a non-profit organization, Essentia Health is focused on reinvesting surplus revenues into medical training, programs and technology that improve patient care We are also committed to eliminating geographic barriers to care Two of the most significant investments in 2012 were in the areas of telehealth and electronic medical records, technologies that link rural patients and physicians with medical specialists at Essentia's medical centers in Fargo, ND, and Duluth, MN We also continue to replace and upgrade facilities and technology, like MRIs, CT scanners and ambulatory infusion centers to ensure patients in rural communities have access to these services in their home communities We are also investing in the development of medical homes, which are designed to improve health outcomes for patients, particularly those with chronic diseases Much of this work is not fully reimbursed by state or federal programs, so Essentia Health assumes responsibility for medical home costs We also support the health of our communities through active research and clinical trials through the Essentia Institute of Rural Health Various Essentia Health organizations contributed approximately $5 5 million in support to the Institute over the past year The Institute conducts clinical, translational and health services research with a primary focus on the needs of rural Americans

Identifier	ReturnReference	Explanation
Part VI, line 6		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 Essentia Health St Joseph's Medical Center is part of Essentia Health, an integrated health system of 16 hospitals, 65 clinics and several long-term care facilities in four states Minnesota, Wisconsin, North Dakota and Idaho The health system serves a predominantly rural population whose median incomes generally fall below averages of the states where they live The presence of our clinics and hospitals ensures that people with few economic resources don't have to drive an hour or more to receive basic (and in some cases life-saving) medical care In addition to staffing hospitals and clinics in federally-recognized underserved areas, we support the health of our communities through an active outreach program that brings specialists like oncologists, cardiologists, neurologists and others into our smaller communities This eliminates barriers to care for many patients, particularly those who are elderly, living on low incomes, or are faced with other challenges that make it difficult to travel long distances for care Our size and integrated structure allow us to offer patients services often found only in larger urban settings Services ranging from chemotherapy to congestive heart failure management and hospice are available to patients in many of the rural communities we serve Essentia Health also supports the health of our rural communities through active research and clinical trials, through the Essentia Institute of Rural Health The Institute conducts clinical, translational and health services research with a primary focus on the needs of rural Americans Essentia Health is also serving patients through the use of the Epic electronic health record (EHR) The vast majority of Essentia's hospitals and clinics were using a fully-integrated EHR for patient care Technology like the electronic health record and telehealth allows health clinicians to share test results and consult with colleagues in real time across great distances Medical information is no longer lost in the shuffle of paper records - an important consideration in a region where patients must often be transferred to a larger Essentia facility for complex surgeries or medical care Essentia is also actively working with government agencies and insurers to develop innovative, cost-effective approaches to care that will improve health outcomes while reducing overall costs to patients and insurers This innovation can be found in our use of remote home monitors for patients with congestive heart failure to a focus on using a team-based approach to helping patients manage chronic diseases Essentia Health is committed to helping patients and their families lead active and fulfilling lives in the small and large communities where they live We hope to become a model of health care delivery, particularly in rural areas, in the years to come

Identifier	ReturnReference	Explanation
Part VI, Line 7		Essentia Health St Joseph's Medical Center files a community benefit report in Minnesota

Additional Data

Software ID:
Software Version:
EIN: 41-0695602
Name: St Joseph's Medical Center

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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? **12** Name and address	Type of Facility (Describe)
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic
Essentia Health St Joseph's-Brainerd Cl 2024 South 6th Street Brainerd, MN 56401	Multi-Specialty Clinic

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
St Joseph's Medical Center

Employer identification number
41-0695602

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) PINES AREA MEDICAL ASSOCIATIONPO BOX 460 HACKENSACK,MN 56452	20-8943901	501(c)(3)	6,000				GENERAL SUPPORT

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

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
Schedule I, Part I, Line 2		Procedures for monitoring use of grant funds Essentia Health St Joseph's Medical Center's management reviews the grant activity by reviewing and documenting each expenditure request and approving the expense

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
St Joseph's Medical Center

Employer identification number
41-0695602

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	☑ Compensation committee	☑ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		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	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Troy Couture MD	(i)	0	0	0	0	0	0	0
	(ii)	279,542	0	3,750	12,250	13,153	308,695	0
(2) Vanessa Menghini MD	(i)	0	0	0	0	0	0	0
	(ii)	163,886	0	2,563	8,962	21,316	196,727	0
(3) Thomas Prusak	(i)	0	0	0	0	0	0	0
	(ii)	341,993	106,548	8,810	91,747	24,898	573,996	0
(4) Jani Wiebolt	(i)	261,684	0	137	12,250	17,924	291,995	0
	(ii)	0	0	0	0	0	0	0
(5) Patricia DeLong	(i)	195,942	0	255	10,003	9,570	215,770	0
	(ii)	0	0	0	0	0	0	0
(6) Barb Anderson	(i)	150,577	0	255	7,910	16,929	175,671	0
	(ii)	0	0	0	0	0	0	0
(7) David Boran MD	(i)	0	0	0	0	0	0	0
	(ii)	278,305	0	6,089	12,250	15,015	311,659	0
(8) MARK HAECKER MD	(i)	467,713	0	267	12,250	16,678	496,908	0
	(ii)	0	0	0	0	0	0	0
(9) ERIC CRABTREE MD	(i)	367,412	0	160	12,250	17,367	397,189	0
	(ii)	0	0	0	0	0	0	0
(10) COREY ANDERSON MD	(i)	316,586	25,000	142	6,346	19,807	367,881	0
	(ii)	0	0	0	0	0	0	0
(11) SUBBA RAJU MD	(i)	304,947	0	1,175	12,250	17,678	336,050	0
	(ii)	0	0	0	0	0	0	0
(12) DOUGLAS VAN STEENWYK MD	(i)	304,307	0	766	12,250	18,367	335,690	0
	(ii)	0	0	0	0	0	0	0
(13) NICHOLAS BERNIER MD	(i)	196,431	0	2,261	9,744	12,845	221,281	0
	(ii)	0	0	0	0	0	0	0
(14) BONITA GRONEBERG	(i)	104,945	0	392	4,349	6,286	115,972	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule J, Part I, Line 3		Establishing CEO's compensation Essentia Health St Joseph's Medical Center relied on Essentia Health Central's, supporting organization of Essentia Health St Joseph's Medical Center, Inc , methods for establishing Essentia Health St Joseph's Medical Center's President's compensation a compensation committee, independent compensation consultant, written employment contract, compensation survey or study, and approval by the board or compensation committee
Schedule J, Part I, Line 4b		Supplemental nonqualified retirement plan Amounts related to participating in a supplemental nonqualified retirement plan are reported in Schedule J, Part II, Column C, and amounts related to receiving payment from a supplemental nonqualified retirement plan are reported in Schedule J, Part II, Column B (iii) The following individual listed in Form 990, Part VII, Section A, Line 1a participated in a supplemental nonqualified retirement plan during the year The individual did not received payment during the year Thomas Prusak (Critical Access Group) $0 Critical Access Group's nonqualified retirement plan is offered to Critical Access Group executives There is a minimum two year vesting date, benefits are subject to income taxes upon vesting, and benefits are payable from Critical Access Group's general assets

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
St Joseph's Medical Center

Employer identification number
41-0695602

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	DULUTH ECONOMIC DEVELOPMENT AUTHORITY	41-6005105	26444CGH9	03-19-2004	143,054,517	SERIES 2004 (SEE SCHEDULE O)		X		X		X
B	MN AGRICULTURAL AND ECONOMIC DEVELOPMENT BOARD	41-6007162	6049202M9	06-25-2010	109,535,000	SERIES 2010 (SEE SCHEDULE O)		X		X		X
C	MN AGRICULTURAL AND ECONOMIC DEVELOPMENT BOARD	41-6007162	6049202P2	03-29-2011	25,491,071	SERIES 2011 (SEE SCHEDULE O)		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	8,365,000	559,327	0	
2	Amount of bonds defeased	0	0	0	
3	Total proceeds of issue	9,621,452	10,786,238	13,388,245	
4	Gross proceeds in reserve funds	887,647	0	0	
5	Capitalized interest from proceeds	16,838	0	0	
6	Proceeds in refunding escrow	0	0	0	
7	Issuance costs from proceeds	106,460	41,520	187,296	
8	Credit enhancement from proceeds	0	0	0	
9	Working capital expenditures from proceeds	0	0	0	
10	Capital expenditures from proceeds	0	4,955,000	13,200,949	
11	Other spent proceeds	8,610,507	5,789,718	0	
12	Other unspent proceeds	0	0	0	
13	Year of substantial completion	2004	2011		

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?				X		X		
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?				X		X		
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		0 %		0 %		0 %		
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶				0 %		0 %		
6	Total of lines 4 and 5				0 %		0 %		
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?			X		X			

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		
2	Is the bond issue a variable rate issue?		X	X			X		
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		
b	Name of provider	0		0		0			
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?	X			X		X		
b	Name of provider	CITIGROUP & PIPER		0		0			
c	Term of GIC	28 9							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
6	Did the bond issue qualify for an exception to rebate?		X		X		X		

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
See Schedule O	0	

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493123005413

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
St Joseph's Medical Center

Employer identification number
41-0695602

Identifier	Return Reference	Explanation
FORM 990, PART C		DOING BUSINESS AS Essentia Health St Joseph's Medical Center

Identifier	Return Reference	Explanation
Form 990, Part I, Line 1		Organization's mission St Joseph's Medical Center is committed to providing high quality, compassionate and ethical care in an environment where a spirit of community prevails, where human and spiritual needs are met, and where respect, dignity, and justice are valued and promoted "Care of the sick must rank above and before all else so that they may be served as Christ" Rule of Benedict, Chapter 6 FORM 990, PART III, LINE 1 Organization's mission St Joseph's Medical Center is committed to providing high quality, compassionate and ethical care in an environment where a spirit of community prevails, where human and spiritual needs are met, and where respect, dignity, and justice are valued and promoted "Care of the sick must rank above and before all else so that they may be served as Christ" Rule of Benedict, Chapter 6

Identifier	Return Reference	Explanation
Form 990, Part III, Line 4		Program service accomplishments St Joseph's Medical Center dba Essentia Health St Joseph's Medical Center is organized and operated exclusively for charitable, religious, educational and scientific purposes Essentia Health St Joseph's Medical Center is organized and operated to own, maintain, operate and conduct, directly or indirectly, and to assist and coordinate activities of facilities for health care, education, care for the aged and social services in accordance with the charitable works tradition of the Roman Catholic Church In keeping with this specific purpose, all works shall be carried out in accordance with the charism of the Benedictine sisters Benevolent Association, a Minnesota nonprofit corporation Essentia Health St Joseph's Medical Center provides healthcare services to the Brainerd Lakes area through inpatient and outpatient health care services in a five county area In addition to traditional hospital services, the facility has a 24-hour emergency department, intensive care, mental health services, chemical dependency services and hospital based clinic services St Joseph's provides these services without regard to an individual's race, creed, sec, national origin, handicap, age or ability to pay Essentia Health St Joseph's Medical Center employs approximately 900 full time equivalents The hospital had a total of 162 licensed beds which provided for over 22,000 hospital patient days, over 168,000 outpatient visits, and over 37,000 hospital based clinic visits during the fiscal year ended June 30, 2012 Essentia Health St Joseph's Medical Center provided over $1,112,000 in charity care as well as an additional $6,011,000 of costs incurred in excess of Medicaid payments received during the fiscal year ended June 30, 2012 Further community benefits provided during the fiscal year include community services of over $77,000 continuing education programs for health care professionals of over $243,000, and cash and in-kind contributions of over $126,000

Identifier	Return Reference	Explanation
Form 990, Part V, Line 1a		1099 Reporting Beginning in 2011, vendor payments and Form 1099's were processed through Essentia Health on behalf of certain supported organizations

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 6		Members of Organization Essentia Health Central may elect one or more members of the governing body as described in Schedule O Part VI Line 7a Essentia Health, Benedictine Sisters Benevolent Association and Essentia Health Central have reserved powers with respect to Essentia Health St Joseph's Medical Center as described in Schedule O Part VI Line 7b

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7a		Member with right to elect governing body According to its Bylaws, Essentia Health Central shall appoint and remove Essentia Health St Joseph's Medical Center's governing body

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7b		Members with right to approve governing body decision Essentia Health St Joseph's Medical Center is a subsidiary of Essentia Health, whose Board of Directors has reserved powers with respect to this corporation and its subsidiaries, and all of the other direct and indirect subsidiaries of Essentia Health (collectively, the "System") Essentia Health's reserved powers are as follows Strategic and Business Plans Authority to create, and to approve, the System's strategic and business plans Mission Authority to create, and to approve, the mission, purpose and vision statements for all entities in the System by the affirmative vote of at least 67% of the Essentia Health board of directors Debt Approval of the incurrence of debt by, and the creation of all mortgages, liens, security interests, or other encumbrances on the assets of, all entities in the System in excess of the single or annual aggregate dollar limits prescribed in writing by the Essentia Health board of directors, and the authority to cause all entities in the System to participate in System borrowing Governing Instruments Authority to cause, and to approve, amendments of the articles of incorporation and bylaws of all entities in the System Mergers and Acquisitions Authority to cause, and to approve, all mergers, consolidations, and dissolutions of all entities in the System Affiliations and Joint Ventures Authority to cause, and to approve, all affiliations, joint ventures and other alliances with third parties of all entities in the System Transfer of Assets Within the System Authority to transfer assets, including cash, between and among entities within the System, provided, however, that Essentia Health shall not have authority to require any entity in the System to transfer assets (a) that would cause such entity to be in default of its covenants or obligations under any bond or other financing documents, (b) from the Catholic entities to the secular entities or from the secular entities to the Catholic entities in a manner or to an extent that would cause the Catholic entities to be in violation of the Ethical and Religious Directives for Catholic Health Care Services in the judgment of the local ordinary, or (c) such that money generated by services at secular facilities within the System by procedures that are contrary to the Ethical and Religious Directives for Catholic Health Care Services would be used at the Catholic entities or money generated by Catholic entities would be used in the providing of services contrary to the Ethical and Religious Directives for Catholic Health Care Services at secular facilities within the System Transfer of Assets Outside the System Authority to cause, and to approve, the sale, lease or other transfer of assets of all entities in the System to parties outside of the System when the asset's value exceeds the single or annual aggregate dollar limits prescribed in writing by the Essentia Health board of directors Services Authority to cause, and to approve, the addition of new services and service locations and the discontinuance of services and service locations within all entities in the System Budgets Approval of capital and operating budgets of all entities in the System Professional Services Selection of the general legal counsel and external auditors of all entities in the System Acquisitions Authority to cause, and to approve, all acquisitions by and formations of entities in the System Marketing Authority to implement System-wide marketing and promotional activities Compliance Plans Authority to create, and to approve, corporate compliance, safety and risk management plans for entities within the System Quality Plan Authority to create, and to approve, the System's quality plan Non-Budgeted Purchases Approval of non-budgeted capital purchases and leases in excess of the single or annual aggregate dollar limits prescribed in writing by Essentia Health for entities within the System Human Resources Authority to create human resource policies and procedures within the System Reserved Powers Authority to create additional Essentia Health reserved powers by the affirmative vote of at least 80% of the Essentia Health board of directors (excluding the Essentia Health CEO), provided, however, that any additional Essentia Health reserved powers shall not contravene or hinder the reserved powers of Benedictine Sisters Benevolent Association The Benedictine Sisters Benevolent Association ("BSBA") also has certain reserved powers over all Catholic facilities within Essentia Health BSBA's reserved powers are as follows Mission Authority to approve the mission, purpose and vision statements for Catholic facilities and entities within the System Adherence to Ethical Religious Directives (ERDs) Authority to approve the methods, policies and procedures pertaining to the adherence of Catholic facilities and entities within the System to the ERDs, and to require the use o

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7b		f religious symbols, distinguishing elements and prayers Official Catholic Directory Aut hority to request the listing of qualified entities and facilities w ithin the System in Th e Official Catholic Directory, subject to the approval of applicable Catholic authorities Catholic Health Association Authority to require Catholic facilities and entities w ithin the System to join the membership of the Catholic Health Association of the United States Alienation of Stable Patrimony or Ecclesiastical Goods Authority to approve alienation of either stable patrimony or other ecclesiastical goods in the System if such goods involved in a specific transaction approved by Essentia Health pursuant to Section 2 8(g) or 2 8(h) of the Affiliation Agreement have a dollar value equal to or greater than 70% of the amount established from time to time that requires approval from the Holy See Amendments Authority to approve any amendments to the Articles of Incorporation or Bylaws of this co rporation that w ould alter the number of Benedictine Sisters of St Scholastica Monastery of Duluth or Benedictine Sisters Benevolent Association board of director members serving as members of this corporation's board of directors, authority to approve any amendments t o the Articles of Incorporation or Bylaws of the Supported Organizations, as w ell as the C atholic Subsidiaries (as defined in the Affiliation Agreement), w hich could materially aff ect such entity's identity as a Catholic institution, including w ithout limitation any ame ndment that w ould alter the number of Benedictine Sisters of St Scholastica Monastery of Duluth or Benedictine Sisters Benevolent Association board of director members serving as members of such entity's board of directors, and authority to cause Essentia Health to mak e amendments to the Articles of Incorporation or Bylaws of the Supported Organizations, as w ell as the Catholic Subsidiaries, w hich amendments Benedictine Sisters Benevolent Associ ation in good faith are necessary to preserve such entity's identity as a Catholic institu tion Mission Effectiveness Authority to approve annual plans and evaluations relating to mission effectiveness and chaplaincy for the Catholic facilities and entities w ithin the System Mergers and Dissolution Subject to the approval of the Benedictine Sisters of St Scholastica Monastery of Duluth, authority to approve a proposed merger, consolidation, l iquidation, dissolution, or the disposition of all or substantially all the assets

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7b cont		Essentia Health Central shall have the following reserved powers over the Central Region entities Quality, Safety, and Service Authority to recommend quality and safety initiatives and to review and execute approved quality and safety plans for the Central Region Mission, Vision and Values Authority to create a mission and a vision that support the mission and vision of Essentia Health, responsibility to oversee the mission performance, including charity care, of all facilities within the Central Region, responsibility to adopt the value of Essentia Health Operating and Financial Performance Responsibility to oversee the operating and financial performance of the Central Region Development of Budgets, Strategic Plans and Strategy Map Authority to develop and recommend, based on Essentia Health targets, capital and operating budgets for the Central Region and its facilities, authority to recommend, within the Essentia Health context, regional and local strategic plans for the Central Region, authority to develop Central Region governance strategy map and balanced scorecard within Essentia Health's system strategy to meet system goals Execution of Approved Budgets and Strategic Plans Responsibility to execute the approved capital and operating budgets and strategic and business plans for the Central Region Non-budgeted Expenditures Authority to approve non-budgeted capital purchases and leases for Central Region facilities within dollar limits defined by Essentia Health Accreditation and Licensure Responsibility to oversee accreditation and licensure compliance for the facilities of the Central Region Affiliations, Acquisitions and Joint Ventures Authority to recommend proposed affiliations, acquisitions, joint ventures and other alliances, responsibility to oversee negotiation and implementation of approved acquisitions and operation of all approved affiliations, joint ventures and other alliances with third parties within the Central Region Appointment of Directors Authority to appoint directors of Brainerd Medical Center, Inc , and SJMC, and to remove directors of Brainerd Medical Center, Inc , and SJMC, with or without cause Satisfaction Responsibility to execute, evaluate and oversee patient, family and customer satisfaction with respect to services provided within the Central Region and to ensure established goals are met Job Satisfaction Responsibility to oversee job satisfaction and staff morale within the Central Region facilities Human Resources Responsibility to oversee implementation of Essentia Health human resource policies and procedures throughout the Central Region Compliance Responsibility to execute the approved Essentia Health corporate compliance and risk management plans for the Central Region Credentialing Responsibility to perform medical staff credentialing for the Central Region facilities Amendments Authority to suggest proposed amendments to the Articles of Incorporation and Bylaws of BLIHS, BMCI, and SJMC, and any subsidiaries thereof Compensation Plans Responsibility to review and approve compensation of Central Region executives and physicians for reasonableness and consistency with the law and Essentia Health's compensation philosophy President/Chief Medical Officer By action of the President of BLIHS, authority to appoint and remove, with or without cause, the President/Chief Medical Officers of BMCI and the President of SJMC Public Policy Responsibility to support Essentia Health public policy and advocacy plans Marketing Responsibility to coordinate regional marketing and promotional activities consistent with Essentia Health marketing plans Philanthropy Responsibility to coordinate philanthropy within the Central Region consistent with Essentia Health foundation policies Professional Services Responsibility to oversee Central Region management's cooperation with external auditors and general legal counsel selected by Essentia Health and coordination of legal services through the Essentia Health Office of General Counsel Catholic Facilities Responsibility to oversee implementation of BSBA-approved methods, policies and procedures pertaining to adherence by the Central Region Catholic facilities with the ERDs and use of religious symbols, distinguishing elements and prayers Projects Involving Real Estate Authority to recommend facility development projects, subject to the approval of Essentia Health, responsibility to oversee execution of approved development projects according to Essentia Health policies

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 11a		Form 990 review process The 2011 Form 990 including all schedules was reviewed by Essentia Health Central's management and governing body on April 2ND, 2013 prior to filing with the Internal Revenue Service Essentia Health Central's Interim Chief Financial Officer led the review of the form and schedules and any questions were discussed Each current director of the governing body received a final copy of the 2011 Form 990

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 12c		Monitoring and enforcing Conflict of Interest policy Interested persons annually disclose relationships which might lead to a conflict of interest by completing a conflict of interest disclosure form Interested persons include any person in a position to exercise substantial influence over the organization It includes but is not limited to any director, officer, management, employee, or committee member of Essentia Health or any of its affiliates Essentia is responsible for the annual distribution of conflict of interest forms and review of disclosures for the governing bodies of Essentia and Essentia Operating Members and for senior management employees of Essentia Transactions with parties with whom a conflict of interest exists may be undertaken only if all of the following are observed the conflict of interest is fully disclosed, the interested person with the conflict of interest doesn't participate in the approval of such transactions, if practical or appropriate, a competitive bid or comparable valuation is obtained, and the board or committee of the board has determined that the transaction is in the best interest of the organization Disclosure by any interested person other than a board or committee member should be made to the Chief Executive Officer (or if she/he is the one with the conflict, then to the board chair), who will bring the matter to the attention of the board or an appropriate committee of the board Disclosure involving board or committee members should be made to the board chair (or if she/he is the one with the conflict, then to the board vice chair), who will bring these matters to the board or an appropriate committee of the board The board or committee of the board will determine whether a conflict exists and if so, whether the contemplated transaction may be authorized as just, fair, and reasonable to Essentia or its affiliate(s) The decision of the board or a duly constituted committee of the board on these matters will be at its sole discretion, and its concern must be the welfare of Essentia and its affiliate(s) and the advancement of its purposes The decision of the board is final If the board determines a conflict does not exist, the interested person may proceed with the transaction, however, he/she will not be eligible to vote on related issues should they arise If the board determines a conflict does exist, the interested person will be notified of the decision regarding whether the contemplated transaction will be authorized as just, fair, and reasonable

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 15 A&B		Process for determining compensation The compensation committee of Essentia Health Central's Board of Directors is authorized to fulfill the Board's responsibilities regarding executive compensation consistent with Essentia Health Central's mission, values and tax-exempt status, and the compensation committee's charter The compensation committee meets at least annually to carry out its responsibilities, which include but are not limited to, establishing, reviewing, and modifying, as appropriate, reasonable compensation and benefits for Essentia Health Central's executive officers and medical staff The compensation committee engages qualified independent compensation advisors and provide objective and impartial comparative data and to express opinions on the total compensation reasonableness The compensation committee may request its independent advisors to monitor comparability data and marketplace trends, make appropriate recommendations regarding salary ranges, and periodically review the market competitiveness of executives' compensation, the compensation committee will obtain and rely upon appropriate data as to comparability of the proposed compensation or adjustments The compensation committee will adequately document the basis for its determination concurrently with making those determinations The compensation committee minutes will include The terms of the approved compensation and the date approved, the compensation committee members present during the review, discussion, and approval of the proposed compensation, identification of the comparability data obtained and relied upon by the compensation and how the data was obtained, any actions by a member of the compensation committee having a conflict of interest, and documentation of the basis for the determination The year this process was last undertaken for Essentia Health Central's Chief Nursing Officer and Chief Medical Officer and Essentia Health St Joseph's Medical Center's President and Center's Chief Quality Officer was 2007

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19		Availability of governing documents, conflict of interest policy, & financial statements to the public Essentia Health Central makes its governing documents, conflict of interest policy, and financial statements available to the public upon request Essentia Health Central is part of Essentia Health's consolidated financial statements which are included in Essentia Health's annual report posted on Essentia Health's web site

Identifier	Return Reference	Explanation
Form 990, Part VII, Section A, Line 1a, Column B		Hours devoted to related organizations The following individuals listed in Form 990, Part VII, Section A, Line 1a also devoted time each week to related organizations Chuck Albrecht approximately 1 hour Sister Beverly Horn approximately 2 hours Robert McLean approximately 6 hours James Kraft approximately 1 hour Troy Couture, MD is employed by Essentia Health Brainerd Specialty Clinic 100% of his time is spent furthering the purpose of Essentia Health Central and related organizations Vanessa Menghini, MD is employed by Essentia Health Brainerd Specialty Clinic 100% of her time is spent furthering the purpose of Essentia Health Central and related organizations Thomas Prusak is employed by Critical Access Group as Essentia Health Central's President 100% of his time is spent furthering the purpose of Essentia Health and related organizations Jani Wiebolt is employed as Essentia Health St Joseph's Medical Center's President 100% of her time is spent furthering the purpose of Essentia Health Central and related organizations Patricia DeLong is employed by Essentia Health St Joseph's Medical Center as Chief Nursing Officer 100% of her time is spent furthering the purpose of Essentia Health Central and related organizations David Boran, MD is employed by Essentia Health Brainerd Specialty Clinic 100% of his time is spent furthering the purpose of Essentia Health Central and related organizations

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 5		Other Changes in Net Assets The total amount of other changes in net assets includes Unrealized loss on trading securities and swaps ($3,127,709)

Identifier	Return Reference	Explanation
Form 990, Part XII, Line 3		Consolidated A-133 Essentia Health St Joseph's Medical Center, as part of Essentia Health's consolidated financial statements, was required and underwent a consolidated audit set forth in the Single Audit Act and OMB Circular A-133 The consolidated audit is reviewed by the Essentia Health Audit Committee

Identifier	Return Reference	Explanation
Schedule K		Additional information/comments relating to the reporting of liabilities by related organizations Essentia Health has an Obligated Group created under the Master Indenture which is composed of the following Members Essentia Health, Critical Access Group, Essentia Health East, Essentia Health St Joseph's Medical Center, Essentia Health St Mary's-Detroit Lakes, Essentia Health St Mary's Medical Center, Essentia Health Duluth, Essentia Health Polinsky Medical Rehabilitation Center, Essentia Health St Mary's Hospital-Superior, Essentia Health Brainerd Specialty Clinic, Essentia Health Central, St Mary's Innovis Health, The Duluth Clinic, Ltd and Essentia Health West (the "Obligated Group Members" or the "Members of the Obligated Group") The Members of the Obligated Group are jointly and severally obligated on all indebtedness evidenced or secured by Notes issued under the Master Indenture The Series 2010 bonds are secured by Notes issued under the Master Indenture The Obligated Group Members The Duluth Clinic, Ltd , Essentia Health, Essentia Health St Joseph's Medical Center, Essentia Health East, Essentia Health St Mary's Medical Center and Essentia Health St Mary's-Detroit Lakes are the conduit borrowers of the Series 2010 bonds The conduit borrowers, The Duluth Clinic, Ltd , Essentia Health, Essentia Health St Joseph's Medical Center, and Essentia Health St Mary's-Detroit Lakes, have recorded a portion of the bond liability on their balance sheets which are consolidated with Essentia Health The Obligated Group Member, Essentia Health West is an indirect beneficiary of a portion of the Series 2010 borrowing and has recorded a portion of the bond liability on its balance sheet which is consolidated with Essentia Health The Series 2011 bonds are secured by Notes issued under the Master Indenture The Obligated Group Members Essentia Health, Essentia Health Central and Essentia Health St Mary's-Detroit Lakes are the conduit borrowers of the Series 2011 bonds The conduit borrower Essentia Health St Mary's-Detroit Lakes has recorded a portion of the bond liability on its balance sheet which is consolidated with Essentia Health The Obligated Group Member, Essentia Health St Joseph's Medical Center, is an indirect beneficiary of a portion of the Series 2011 borrowing and has recorded a portion of the bond liability on its balance sheet which is consolidated with Essentia Health Schedule K, Part I, Line A, Column (c) Additional Cusip number 26444CGB2 Schedule K, Part I, Column (F) Description of Purpose Series 2004 Refund Series 1993D bonds issued February 17, 1993 to finance improvements in Brainerd, MN Series 2010 Refund Series 1993C and 1993E bonds issued January 15, 1993 and refund Series 2008 C-3 and 2008 C-4B bonds issued March 4, 2008 to partially refund Series 2004 bonds issued March 19, 2004 for various acquisitions, construction projects, capital improvements and equipment purchases in Duluth, Brainerd, and Detroit Lakes, MN and various Duluth Clinic sites in northern Minnesota and finance various construction projects, capital improvements and equipment purchased in Brainerd, Detroit Lakes and Duluth, MN and various Duluth Clinic sites in northern Minnesota Series 2011 Refinance prior note used for capital improvements to skilled nursing facility located at 1027 Washington Ave and finance various construction projects and equipment purchases in Baxter, Frazee, and Pelican Rapids, MN Schedule K, Part I - VI Generally, Row Issue A Series 2004, row issue A, was issued by the Essentia Health Obligated Group A portion of the Series 2004 borrowing was allocated to Essentia Health St Joseph's Medical Center, an Essentia Health Obligated Group Member All Schedule K items for row issue A, except Schedule K, Part I, columns a-e, are based on Essentia Health St Joseph's Medical Center's allocated portion of Series 2004 Schedule K, Part II, Line 3 Issue Price Series 2004, Series 2010, and Series 2011 were issued by the Essentia Health Obligated Group The issue price listed in Essentia Health St Joseph's Medical Center Schedule K Part I Column (e) represents the Essentia Health Obligated Group's total borrowing Schedule K, Part II, Line 3 through 12 Proceeds Series 2010 and Series 2011 were issued by the Essentia Health Obligated Group A portion of the Series 2010 and Series 2011 borrowing were allocated to Essentia Health St Joseph's Medical Center, an Essentia Health Obligated Group Member The proceeds listed in Essentia Health St Joseph's Medical Center's Schedule K Part II Lines 3 through 12 represent Essentia Health St Joseph's Medical Center's allocated portion of the proceeds Schedule K, Part V Procedures to undertake corrective action Written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program have been subsequently adopted

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
St Joseph's Medical Center

Employer identification number
41-0695602

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

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) PMC-Gateway Imaging LLC 109 Court Ave S Sandstone, MN 55072 26-1634764	Imaging Services	MN	NA	NONE	0	0			0			0 %

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) East Range Clinics Ltd 910 6th Ave N Virginia, MN 55792 41-0909915	Clinics	MN	NA	C corp	0	0	0 %
(2) Essentia Health Insurance Services SPC Buckingham Sq 720 W Bay Rd PO 69 Grand Cayman, Cayman Islands KY1-1102 CJ 000000000	Insurance	CJ	NA	Foreign Corp	0	0	0 %

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

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

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

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

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

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

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

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE R, PART II, COLUMN (A)		Name In 2011, many Essentia entities adopted a doing business as name as part of a system-wide rebranding strategy using the Essentia brand Legal Name, Doing Business As Name Brainerd Lakes Integrated Health System, Essentia Health Central Brainerd Medical Center, Inc , Essentia Health Brainerd Specialty Clinic Bridges Medical Center, Essentia Health Ada First Care Medical Services, Essentia Health Fosston Graceville Health Center, Essentia Health Holy Trinity Hospital Innovis Health, LLC, Essentia Health West Midwest Medical Equipment & Supply Inc , Essentia Health Medical Equipment and Supplies Northern Pines Medical Center, Essentia Health Northern Pines Pine Medical Center, Essentia Health Sandstone Polinsky Medical Rehabilitation Center, Essentia Health Polinsky Medical Rehabilitation Center SMDC Medical Cente, Essentia Health Duluth St Mary's Duluth Clinic Health System, Essentia Health East St Mary's Hospital of Superior, Essentia Health St Mary's Hospital-Superior St Mary's Medical Center, Essentia Health St Mary's Medical Center St Mary's Regional Health Center, Essentia Health St Mary's-Detroit Lakes

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 41-0695602
Name: St Joseph's Medical Center

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
Brainerd Lakes Integrated Health System 2024 S 6th St Brainerd, MN 56401 37-1532145	SUPPORT ORG	MN	501(c)(3)	11 II	Essentia	Yes	
Brainerd Medical Center 2024 S 6th St Brainerd, MN 56401 37-1532148	Clinic	MN	501(c)(3)	3	BLIHS	Yes	
Bridges Medical Center 201 9th St W Ada, MN 56510 20-0479568	Clinic/Hosp	MN	501(c)(3)	3	Innovis	Yes	
Clearwater Valley Hospital & Clinics InC 301 Cedar Orofino, ID 83544 82-0497771	Clinic/Hosp	ID	501(c)(3)	3	CAG	Yes	
Divine Medical Services thru 10111 709 N Lincoln Jerome, ID 83338 20-2773717	Emerg Svcs	ID	501(c)(3)	3	SBFMC	Yes	
DL Surgery Center 1027 Washington Ave Detroit Lakes, MN 56501 26-3837203	ASC	MN	501(c)(3)	3	CAG	Yes	
Critical Access Group 503 E 3rd St Ste 400 Duluth, MN 55805 26-1219624	SUPPORT ORG	MN	501(c)(3)	11 II	Essentia	Yes	
First Care Medical Services 900 Hilligross Blvd SE Fosston, MN 56542 41-0706143	Clinic/Hosp	MN	501(c)(3)	3	Innovis	Yes	
Minnesota Valley Health Center 621 S 4th St Le Sueur, MN 56058 41-0837659	Hospital/NURS	MN	501(c)(3)	3	CAG	Yes	
StBenedicts Family Med Ctr thru 10111 709 N Lincoln Jerome, ID 83338 82-0227163	Clinic/Hosp	ID	501(c)(3)	3	CAG	Yes	
St Mary's EMS 1027 Washington Ave Detroit Lakes, MN 56501 41-1805811	Emerg Svcs	MN	501(c)(3)	9	SMRHC	Yes	
St Mary's Hospital & Clinics Inc PO Box 137 Cottonwood, ID 83522 82-0226453	Clinic/Hosp	ID	501(c)(3)	3	CAG	Yes	
St Mary's Innovis Health 1027 Washington Ave Detroit Lakes, MN 56501 26-2861321	Clinic	MN	501(c)(3)	3	Innovis	Yes	
St Mary's Regional Health Center 1027 Washington Ave Detroit Lakes, MN 56501 41-1620386	Clinic/Hosp	MN	501(c)(3)	3	Innovis	Yes	
Essentia Health 502 E 2nd St Duluth, MN 55805 20-0360007	SUPPORT ORG	MN	501(c)(3)	11 III-FI	NA		No
Essentia Institute of Rural Health 502 E 2nd St Duluth, MN 55805 27-1291124	Research	MN	501(c)(3)	4	Essentia	Yes	
Innovis Health LLC 3000 32nd Avenue Fargo, ND 58103 26-1175213	Clinic/Hosp	DE	501(c)(3)	3	Essentia	Yes	
Essentia Health Foundation 502 E 2nd St Duluth, MN 55805 27-1984704	Foundation	MN	501(c)(3)	7	ESSENTIA	Yes	
Midwest Medical Equipment & Supply Inc 4418 Haines Rd Duluth, MN 55811 41-1674021	MedICAL Equip	MN	501(c)(3)	9	SMMC	Yes	
Pine Medical Center 109 Court Ave S Sandstone, MN 55072 41-1884597	HOSPITAL/NURS	MN	501(c)(3)	3	SMDCHS	Yes	

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	
Polinsky Medical Rehabilitation Center 530 E 2nd St Duluth, MN 55805 41-0691275	Clinic	MN	501(c)(3)	3	SMMC	Yes	
SMDC Medical Center 502 E 2nd St Duluth, MN 55805 41-1878730	Clinic/Hosp	MN	501(c)(3)	3	SMDCHS	Yes	
St Mary's Duluth Clinic Health System 407 E 3rd St Duluth, MN 55805 41-1836633	SUPPORT ORG	MN	501(c)(3)	11 II	Essentia	Yes	
St Mary's Hospital of Superior 3500 Tower Ave Superior, WI 54880 41-1811073	Clinic/Hosp	WI	501(c)(3)	3	SMMC	Yes	
St Mary's Medical Center 407 E 3rd St Duluth, MN 55805 41-0695604	Hospital	MN	501(c)(3)	3	SMDCHS	Yes	
The Duluth Clinic Ltd 400 E 3rd St Duluth, MN 55805 41-0883623	Clinic	MN	501(c)(3)	3	SMDCHS	Yes	
Northern Pines Medical Center 5211 Hwy 110 Aurora, MN 55705 41-0841441	Hospital/Nurs	MN	501(c)(3)	3	SMDCHS	Yes	
Graceville Health Center 115 West Second St Graceville, MN 56240 41-0726173	Clinic/Hosp	MN	501(c)(3)	3	Innovis	Yes	

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	CRITICAL ACCESS GROUP	O	9,285,281	actual costs
(2)	ESSENTIA HEALTH	O	1,418,466	actual costs
(3)	ESSENTIA HEALTH	P	102,616	actual costs
(4)	ESSENTIA HEALTH	L	6,779,544	actual costs
(5)	ESSENTIA HEALTH	R	238,892	actual costs
(6)	ESSENTIA HEALTH	N	853,199	actual costs
(7)	ESSENTIA INSTITUTE OF RURAL HEALTH	Q	597,536	actual costs
(8)	SMDC MEDICAL CENTER	O	2,105,491	actual costs
(9)	SMDC MEDICAL CENTER	P	74,335	actual costs
(10)	SMDC MEDICAL CENTER	N	1,498,106	actual costs
(11)	INNOVIS HEALTH LLC	O	130,508	actual costs
(12)	ESSENTIA HEALTH FOUNDATION	C	515,542	actual costs
(13)	POLINSKY MEDICAL REHABILITATION CENTER	R	93,698	actual costs
(14)	BRAINERD MEDICAL CENTER Inc	P	385,479	actual costs
(15)	BRAINERD MEDICAL CENTER Inc	O	26,139,993	actual costs
(16)	POLINSKY MEDICAL REHABILITATION CENTER	A	3,280	actual costs
(17)	St Mary's Regional Medical Center	P	111,445	actual costs

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493123005413

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

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

OMB No 1545-0172

2011

Attachment Sequence No **179**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**
St Joseph's Medical Center	GENERAL DEPRECIATION	41-0695602

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

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

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

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

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

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

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

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	**14**	
15 Property subject to section 168(f)(1) election	**15**	
16 Other depreciation (including ACRS)	**16**	3,886

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

Section A

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

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

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

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

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

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	**21**	
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	**22**	3,886
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	**23**	

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

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

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

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

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

Section B—Information on Use of Vehicles

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

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

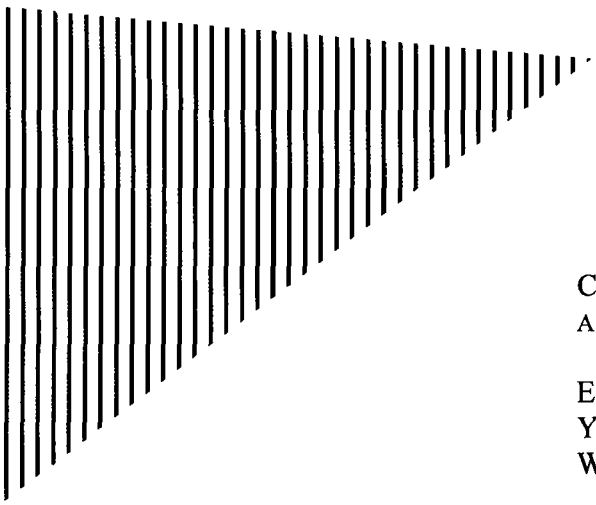
Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

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

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

Part VI **Amortization**

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



Consolidated Financial Statements and Supplementary Information

Essentia Health
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

Ernst & Young

Essentia Health

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2012 and 2011

Contents

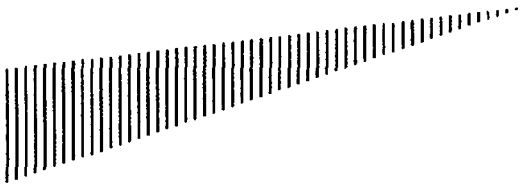
Report of Independent Auditors....1

Consolidated Financial Statements

Consolidated Balance Sheets....2
Consolidated Statements of Operations and Changes in Net Assets....4
Consolidated Statements of Cash Flows....6
Notes to Consolidated Financial Statements....7

Supplementary Information

Report of Independent Auditors on Supplementary Information....42
Schedule of Community Service and Charity Care Provided....43



Ernst & Young LLP
Suite 1400
220 South Sixth Street
Minneapolis, MN 55402-4509
Tel +1 612 343 1000
Fax: +1 612 339 1726
www.ey.com

Report of Independent Auditors

The Board of Directors
Essentia Health

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

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

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

Ernst + Young LLP

September 25, 2012

Essentia Health

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30	
	2012	**2011**
Assets		
Current assets:		
Cash and cash equivalents	**$ 75,696**	$ 74,478
Short-term investments	**11,231**	7,302
Current portion of assets whose use is limited	**26,142**	33,265
Patient accounts receivable, less allowances for uncollectible accounts of $50,702 and $56,720 at June 30, 2012 and 2011, respectively *(Note 4)*	**225,979**	239,578
Prepaid expenses and other receivables	**30,149**	29,129
Inventories	**28,354**	24,641
Total current assets	**397,551**	408,393
Assets whose use is limited, less current portion *(Note 5)*:		
Funds designated by Board	**422,695**	421,956
Funds held by trustee	**3,566**	3,754
Funds held under self-insurance program	**36,508**	36,558
Other	**51,523**	50,319
	514,292	512,587
Property and equipment, net *(Note 7)*	**591,094**	584,453
Investments and other non-current assets, net *(Note 8)*	**120,664**	119,633
Total assets	**$ 1,623,601**	$ 1,625,066

	June 30	
	2012	**2011**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 39,559**	$ 36,332
Payable to third-party payors	**12,822**	15,719
Accrued liabilities:		
Salaries, wages, and benefits	**113,248**	127,567
Interest	**7,265**	7,217
Current portion of long-term debt *(Note 9)*	**17,052**	14,260
Other	**22,513**	22,387
Total current liabilities	**212,459**	223,482
Long-term debt *(Note 9)*	**502,072**	517,160
Professional, pension, and other non-current liabilities *(Notes 11 and 12)*	**210,871**	150,160
Total liabilities	**925,402**	890,802
Net assets:		
Unrestricted	**681,818**	717,719
Temporarily restricted	**15,505**	15,836
Permanently restricted	**876**	709
Total net assets	**698,199**	734,264
Total liabilities and net assets	**$ 1,623,601**	$ 1,625,066

See accompanying notes.

Essentia Health

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

	Year Ended June 30	
	2012	**2011**
Unrestricted revenue:		
Patient service revenue *(Note 4)*	**$ 1,543,349**	$ 1,550,648
Provision for bad debts *(Note 4)*	**(72,192)**	(68,006)
Net patient service revenue	**1,471,157**	1,482,642
Other operating revenue	**73,929**	42,806
Total unrestricted revenue	**1,545,086**	1,525,448
Expenses *(Note 14)*:		
Salaries, wages, and related benefits	**952,962**	935,994
Professional fees	**25,504**	26,658
Supplies	**235,273**	228,201
Purchased services	**64,927**	56,872
Professional liability and general insurance	**8,545**	4,898
Utilities	**17,518**	17,398
Repairs and maintenance	**30,057**	32,123
Depreciation and amortization	**67,571**	65,535
Interest	**21,341**	20,726
Other	**89,662**	86,156
Total expenses	**1,513,360**	1,474,561
Income from operations	**31,726**	50,887
Non-operating gains (losses), net:		
Investment income on funds designated by Board	**5,931**	6,867
Net realized gains	**8**	23,466
Net change in unrealized gains and losses on trading securities	**(18,534)**	38,069
Loss on disposal of property, net	**(520)**	(742)
(Loss) gain on swap agreements	**(11,770)**	3,106
Other, net	**7,425**	1,861
Total non-operating (losses) gains, net	**(17,460)**	72,627
Excess of revenue and gains over expenses and losses	**14,266**	123,514

	Year Ended June 30	
	2012	**2011**
Unrestricted net assets:		
Excess of revenue and gains over expenses and losses	**$ 14,266**	$ 123,514
Net change in unrealized gains and losses on other-than-trading securities	**(46)**	220
Contribution of long-lived assets, net	**–**	3,672
Pension and other postretirement liability adjustments	**(46,350)**	20,643
Other, net	**2,068**	3,642
	(30,062)	151,691
Discontinued operations:		
Decrease in net assets of discontinued operations	**(1,400)**	–
Loss on disposal of discontinued operations	**(4,439)**	–
	(5,839)	–
(Decrease) increase in unrestricted net assets	**(35,901)**	151,691
Temporarily restricted net assets:		
Contributions	**2,515**	1,355
Net assets released from restrictions and other changes, net	**(2,846)**	548
(Decrease) increase in temporarily restricted net assets	**(331)**	1,903
Permanently restricted net assets:		
Contributions and other changes, net	**167**	58
Total (decrease) increase in net assets	**(36,065)**	153,652
Net assets at beginning of year	**734,264**	580,612
Net assets at end of year	**$ 698,199**	$ 734,264

See accompanying notes.

Essentia Health

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30 2012	2011
Operating activities		
(Decrease) increase in net assets	**$ (36,065)**	$ 153,652
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**67,571**	65,535
Provision for uncollectible accounts	**72,192**	68,489
Loss (gain) on swap agreements	**11,770**	(3,106)
Share of joint ventures and related organizations' net income, net	**(6,177)**	(3,375)
Net change in unrealized gains and losses on other-than-trading securities	**46**	(1,562)
Net change in unrealized gains and losses on trading securities	**18,534**	(38,069)
Pension and other postretirement liability adjustments	**46,350**	(20,643)
Restricted contributions and investment income	**(2,515)**	(2,032)
Contribution of long-lived assets, net	**–**	(3,107)
Loss on disposal of discontinued operations	**4,478**	–
Changes in assets and liabilities:		
Patient accounts receivable	**(61,056)**	(111,360)
Accounts payable and accrued liabilities	**(12,336)**	17,450
Professional, pension, and other non-current liabilities	**5,882**	6,642
Other	**(7,715)**	(10,404)
Net cash provided by operating activities	**100,959**	118,110
Investing activities		
Purchase of property and equipment, net	**(77,291)**	(97,105)
Change in investments in joint ventures and related organizations, net	**4,417**	2,214
Purchase of trading securities, net	**(12,159)**	(45,195)
Purchase of securities and assets whose use is limited classified as other-than-trading, net	**(5,242)**	(4,891)
Net cash used in investing activities	**(90,275)**	(144,977)
Financing activities		
Proceeds from issuance and borrowings of long-term debt	**10,010**	46,136
Principal payments on long-term debt	**(22,179)**	(44,020)
Increase in funds held by trustee	**188**	157
Restricted contributions and investment income	**2,515**	2,032
Net cash (used in) provided by financing activities	**(9,466)**	4,305
Net increase (decrease) in cash and cash equivalents	**1,218**	(22,562)
Cash and cash equivalents at beginning of year	**74,478**	97,040
Cash and cash equivalents at end of year	**$ 75,696**	$ 74,478
Supplemental disclosure of cash flow information		
Interest paid, net of capitalized interest	**$ 22,523**	$ 20,795

See accompanying notes

Essentia Health

Notes to Consolidated Financial Statements
(Dollars in Thousands)

June 30, 2012

1. Organization

Essentia Health (Essentia), a Minnesota nonprofit corporation headquartered in Duluth, Minnesota, is an integrated health system serving patients in Minnesota, Wisconsin, North Dakota, and Idaho.

Essentia is the parent company of the following tax-exempt entities:

- St. Mary's Duluth Clinic Health System (operating as Essentia Health East (EH East)) in Duluth, Minnesota
- Brainerd Lakes Integrated Health System (operating as Essentia Health Central (EH Central)) in Brainerd, Minnesota
- Innovis Health LLC (operating as Essentia Health West (EH West)) in Fargo, North Dakota
- Critical Access Group (CAG), formerly known as Essentia Community Hospitals & Clinics (ECHC)
- Essentia Institute of Rural Health (EIRH)
- Essentia Health Insurance Services (EHIS), a Cayman-based captive insurance company
- Essentia Health Foundation (EHF), a merger of Innovis Health Foundation, SMDC Foundation, and ECHC Foundation, effective July 1, 2011

In 2011, many Essentia entities adopted an operating name as part of a system-wide rebranding strategy using the Essentia brand.

Essentia is a regional leader in the development and advancement of business, clinical, and financial models for the delivery of high-quality and cost-effective healthcare. Essentia provides integrated healthcare delivery through its physician group practices, ambulatory and out-patient centers, acute care hospitals (including tertiary referral centers), and community, rural, and critical access hospitals.

Essentia has been determined to qualify as a tax-exempt charitable, educational, and scientific organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and also has been determined to be exempt from state income tax under Minnesota Statute 290.05, Subdivision 2.

1. Organization (continued)

EH East directly or indirectly controls the following tax-exempt entities:

Legal Entity	Operating Name, If Applicable	Location
St. Mary's Medical Center	Essentia Health St. Mary's Medical Center	Duluth, Minnesota
The Duluth Clinic, Ltd.	N/A	Duluth, Minnesota
SMDC Medical Center	Essentia Health Duluth	Duluth, Minnesota
Nat G. Polinsky Memorial Rehabilitation Center, Inc.	Essentia Health Polinsky Medical Rehabilitation Center	Duluth, Minnesota
Midwest Medical Equipment and Supplies, Inc.	Essentia Health Medical Equipment & Supplies	Duluth, Minnesota
Northern Pines Medical Center (since July 2010)	Essentia Health Northern Pines	Aurora, Minnesota
Pine Medical Center	Essentia Health Sandstone	Sandstone, Minnesota
St. Mary's Hospital of Superior	Essentia Health St. Mary's Hospital – Superior	Superior, Wisconsin

EH Central is the sole corporate member of the following tax-exempt entities:

Legal Entity	Operating Name	Location
St. Joseph's Medical Center	Essentia Health St. Joseph's Medical Center	Brainerd, Minnesota
Brainerd Medical Center, Inc.	Essentia Health Brainerd Specialty Clinic	Brainerd, Minnesota

EH West is the sole member of the following tax-exempt entities:

Legal Entity	Operating Name, If Applicable	Location
St. Mary's Regional Health Center	Essentia Health St. Mary's – Detroit Lakes	Detroit Lakes, Minnesota
St. Mary's Innovis Health	N/A	Detroit Lakes, Minnesota
Bridges Medical Center	Essentia Health Ada	Ada, Minnesota
First Care Medical Services	Essentia Health Fosston	Fosston, Minnesota
Graceville Health Center (since October 2010)	Essentia Health Holy Trinity Hospital	Graceville, Minnesota

1. Organization (continued)

CAG is the sole corporate member of the following tax-exempt entities:

Operating Name	Location
Detroit Lakes Surgery Center	Detroit Lakes, Minnesota
Minnesota Valley Health Center	Le Sueur, Minnesota
Clearwater Valley Hospital and Clinics	Orofino, Idaho
St. Mary's Hospital	Cottonwood, Idaho
St. Benedict's Family Medical Center (through October 1, 2011)	Jerome, Idaho

Effective October 1, 2011, Essentia Health agreed to transfer ownership of St. Benedict's Family Medical Center (SBFMC) to St. Luke's Health System, an unrelated entity. For the year ended June 30, 2012, the loss on disposal of SBFMC of $4,439 and SBFMC's loss prior to its transfer of $1,400 are included in discontinued operations. Prior year amounts have not been reclassified due to immateriality.

In addition to their membership rights, Essentia and Benedictine Sisters Benevolent Association (BSBA), a sponsor of Essentia's Catholic hospitals, have retained various reserved powers over Essentia's hospitals.

Essentia's investments in joint ventures and related organizations are accounted for under the equity method and recorded in investments and other non-current assets in the consolidated balance sheets and in other non-operating gains (losses) in the consolidated statements of operations and changes in net assets, as follows:

(Dollars in Thousands)

1. Organization (continued)

	Investment Recorded in Consolidated Balance Sheet June 30		Share of Net Income (Loss) Year Ended June 30	
	2012	**2011**	**2012**	**2011**
Benedictine Health System	**$ 58,533**	$ 58,533	**$ –**	$ –
St. Francis Regional Medical Center	**30,203**	28,556	**4,348**	2,861
Rainy Lake Medical Center	**1,166**	906	**300**	(710)
Brainerd Lakes Surgery Center	**1,143**	1,180	**881**	911
Other joint ventures	**2,075**	2,185	**648**	313
	$ 93,120	$ 91,360	**$ 6,177**	$ 3,375

In accordance with a reorganization agreement between Benedictine Health System (BHS) and Essentia effective December 31, 2007, upon any subsequent dissolution or sale of BHS or any of BHS' subsidiaries, Essentia would be entitled to receive the net proceeds of the dissolved or sold entity up to BHS' net asset value as of December 31, 2007. As a result, Essentia has recorded a $58,533 investment in BHS at June 30, 2012 and 2011.

The following is a summary of the combined operating results and balance sheet information of the joint ventures and related organizations as of and for the years ended June 30:

	2012	**2011**
Total revenue	**$ 449,899**	$ 424,179
Excess of revenue and gains over expenses	**28,000**	46,509
Total assets	**574,637**	559,473
Net assets	**246,543**	233,602

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements represent the consolidated financial position, results of operations, and cash flows of Essentia. All significant interaffiliate accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates were made, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, and short-term investments with maturities of 90 days or less from the date of purchase. Cash deposits are federally insured in limited amounts.

Short-Term Investments

Short-term investments are stated at fair value and include corporate bonds and notes with maturities of one year or less from the date of purchase, certificates of deposit, and mutual funds. Short-term investments are available to meet Essentia's operating cash requirements.

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are stated at net realizable value. The allowance for uncollectible accounts is based upon management's ongoing assessment of historical and expected net collections for each major payor source considering historical business and economic conditions, trends in healthcare coverage, and other collection indicators. For receivables associated with services provided to patients who have third-party insurance coverage (including copayment and deductible amounts from patients), Essentia analyzes contractually due amounts and provides an allowance for contractual adjustments and a provision for uncollectible accounts. For receivables associated with private-pay patients, Essentia records a significant provision for uncollectible accounts in the period of service on the basis of its historical experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

Essentia follows established guidelines for placing certain past-due patient balances with collection agencies, subject to certain restrictions on collection efforts as determined by Essentia. Accounts are written off when all reasonable internal and external collection efforts have been performed. These adjustments are accrued on an estimated basis and are revised as needed in future periods. Overall, the allowance for uncollectible accounts as a percentage of accounts receivable has not changed significantly for the year ended June 30, 2012.

Inventories

Inventories, including drugs and supplies, are stated at the lower of cost (principally on the first-in, first-out basis) or market.

Assets Whose Use Is Limited

Assets whose use is limited are composed primarily of investments held for trading, which are stated at fair value, and include assets designated by the Board of Directors (over which the Board retains control and may, at its discretion, subsequently use for other purposes) for future capital improvements and retirement of debt; investments of EHIS, which was formed as a professional liability funding arrangement; assets held by trustees under indenture agreements for construction and debt service payments; and other assets, which consist of donor-restricted assets provided on behalf of certain members of Essentia.

2. Summary of Significant Accounting Policies (continued)

Investment income earned on funds held by the bond trustee is reported as other operating revenue since the interest expense on the related bonds is reported as an operating expense. All other investment income (including realized gains and losses on investments, interest, dividends, declines in value determined to be other than temporary, and net change in unrealized gains and losses on trading securities) is reported as non-operating income, other than changes in unrealized gains and losses on other-than-trading securities that are determined to be temporary, which are reported as other changes in unrestricted net assets. Realized gains and losses are determined using the specific identification method.

Essentia reviews its other-than-trading securities for impairment conditions, which could indicate that an other-than-temporary decline in market value has occurred. In conducting this review, numerous factors are considered, which include specific information pertaining to an individual company or a particular industry, general market conditions that reflect prospects for the economy as a whole, and the ability and intent to hold the securities until recovery. The carrying value of investments is reduced to its estimated realizable value if a decline in fair value is considered to be other than temporary. The gross unrealized gains and losses from other-than-trading securities at June 30, 2012, were $4 and $71, respectively, and at June 30, 2011, were $247 and $11, respectively. Based on management's analysis, no other-than-temporary loss was recognized during the years ended June 30, 2012 and 2011.

Net unrealized gains on trading securities held at June 30, 2012 and 2011, were $17,715 and $36,256, respectively.

Derivative Financial Instruments

Essentia uses interest rate, constant maturity, fixed payer, and basis swap instruments (see Note 9) as part of a risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Derivatives are used to hedge identified and approved exposures and are not used for speculative purposes.

All derivatives are recognized as either assets or liabilities and are measured at fair value. Essentia uses pricing models for various types of derivative instruments that take into account the present value of estimated future cash flows. None of the swaps has been designated as a hedge. Accordingly, all changes in the fair values of the swaps and the net difference between interest received and paid are reported as non-operating gains or losses in the consolidated statements of operations and changes in net assets.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost, if purchased or at fair market value on the date received, if donated, less accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over estimated useful lives but not for a term in excess of the associated ground leases, if any.

Maintenance and repairs are charged to expense as incurred. Major improvements that extend the useful life of the related item are capitalized and depreciated. The cost and accumulated depreciation of property and equipment retired or disposed of are removed from the related accounts, and any residual value after considering proceeds is charged or credited to income.

Intangible Assets

Identifiable intangible assets are amortized on a straight-line basis over a range of 15 to 40 years based on the expected useful lives. Deferred financing costs, consisting primarily of underwriting fees and discounts, credit enhancement fees, and legal fees, are amortized using the interest method over the period that the obligation is outstanding.

Asset Impairment

Essentia periodically evaluates whether events and circumstances have occurred that may affect the estimated useful life or recoverability of the net book value of property and equipment and the unamortized excess cost over net assets acquired. If such events or circumstances indicate that the carrying amounts may not be recoverable, an impairment loss is recorded based on an undiscounted cash flow analysis.

Insurance

The provision for estimated self-insured general and professional liability claims includes estimates of the undiscounted ultimate costs for both reported claims and claims incurred but not reported (IBNR). Most of Essentia's members are self-insured for workers' compensation claims, and the estimated liability is discounted.

2. Summary of Significant Accounting Policies (continued)

Costs of Borrowing

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. For the years ended June 30, 2012 and 2011, capitalized interest totaled $1,060 and $781, respectively.

Charity and Uncompensated Care

Essentia provides healthcare services to patients who meet certain criteria under its charity care policies without charge or at amounts less than established rates. Since Essentia does not pursue collection of these amounts, they are not reported as revenue.

EHR Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in calendar year 2011 for eligible hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology. For Medicare and Medicaid EHR incentive payments, Essentia adopted the gain contingency model to recognize these payments as revenue. Under this accounting policy, EHR incentive payments are recognized as other operating revenue when attestation that the EHR meaningful use criteria for the required period of time has been fully demonstrated and payments are recognized as other operating revenue after the period of attestation is completed. Accordingly, Essentia recognized $19,917 of EHR revenues during the year ended June 30, 2012, of which $7,591 is receivable as of year-end. EHR revenue consists of Medicare revenue of $15,466 and Medicaid revenue of $4,451.

Essentia's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee. Additionally, Medicare EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payment amounts were determined.

2. Summary of Significant Accounting Policies (continued)

Excess of Revenue and Gains Over Expenses and Losses

The consolidated statements of operations and changes in net assets include excess of revenue and gains over expenses and losses. Changes in unrestricted net assets, which are excluded from excess of revenue and gains over expenses and losses, include unrealized gains and losses on other-than-trading securities that are determined to be temporary, contributions of long-lived assets, and pension and other postretirement liability adjustments.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to Essentia are reported at fair value at the date the promise is received. Conditional promises and indications of intentions to give are reported at fair value at the date the conditions are met. Gifts are reported as temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as other operating income. Donor-restricted contributions whose restrictions are met within the same year as received are included in operating income in the accompanying consolidated financial statements. Temporarily restricted net assets are restricted for the purchase of property and equipment and for research and education. Permanently restricted net assets are held in perpetuity.

Deferred Taxes

Essentia records a valuation allowance for deferred tax assets when it is more likely than not that some portion of the deferred tax assets will not be realized. The ultimate realization of these deferred tax assets depends on the ability of the taxable affiliates to generate sufficient taxable income in the future.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the 2012 presentation. These reclassifications had no effect on the change in net assets or net assets as previously reported.

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In July 1, 2011, Essentia adopted new accounting guidance with respect to the disclosure of charity care. The guidance requires that cost be used as the measurement basis for charity care disclosure and that the disclosure include the direct and indirect cost of providing charity care. The guidance also requires disclosure of the method used to identify or determine such costs.

In July 2011, Essentia adopted new accounting guidance requiring the reclassification of the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue in the statement of operations. In addition, the guidance requires enhanced disclosure about policies for recognizing revenue, assessing uncollectible accounts, and qualitative and quantitative information about changes in the allowance for uncollectible accounts. Essentia opted to early adopt this guidance. The change in presentation and additional disclosures are reflected in Essentia's consolidated statements of operations and changes in net assets and in Note 4.

On July 1, 2011, Essentia adopted new accounting guidance requiring additional and enhanced disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans in which Essentia participates. Adoption of this guidance did not have a material impact on the consolidated financial statements.

Effective July 1, 2011, Essentia adopted new guidance on accounting by healthcare entities for medical malpractice and similar liabilities and their related anticipated insurance recoveries. The guidance clarifies that a healthcare entity should not net insurance recoveries against a related claim liability. In addition, the amount of the claim liability should be determined without consideration of insurance recoveries. The new guidance did not have a material effect on Essentia's consolidated financial statements.

Effective July 1, 2010, Essentia adopted new accounting guidance that changed the accounting for mergers and acquisitions entered into by not-for-profit organizations. Under the guidance, more combinations are being accounted for under the acquisition method. The acquired organization's assets and liabilities are revalued to their fair values when recorded in the acquirer's financial statements. In addition, goodwill and indefinite-lived assets are no longer amortized but are evaluated for potential impairment, as is the case with for-profit entities. The new guidance did not have a material effect on Essentia's consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Effective March 31, 2010, Essentia adopted new accounting guidance that amended the disclosures regarding fair value measurements (see Note 6). The guidance requires disclosure of the amount of any significant transfers between Level 1 and Level 2 in the fair value hierarchy and the reasons for these transfers and the reason for any transfers in or out of Level 3. Effective July 1, 2011, Essentia provided information within the reconciliation of recurring Level 3 measurements about purchases, sales, issuances, and settlements on a gross basis as well as clarification on previously required reporting requirements.

3. Service to the Community

In the furtherance of its charitable purpose, Essentia provides a wide variety of benefits to the communities it serves, including offering various community-based social service programs, such as free clinics, health screenings, in-home caregiver services, social service and support counseling for patients and families, pastoral care, crisis intervention, transportation to and from the healthcare campuses, and the donation of space for use by community groups.

In addition, a large number of health-related educational programs are provided for the benefit of the community, including health enhancements and wellness, classes on specific medical conditions, unreimbursed costs of medical education, telephone information services, and costs related to programs designed to improve the general health status of the community.

Essentia also provides medical care without charge or at a reduced cost primarily through (a) services provided at no charge to the uninsured and (b) services provided to patients expressing a willingness to pay but who are determined to be unable to pay because of socioeconomic factors. The cost of providing charity care is measured by applying an overall cost to charge ratio to the charges incurred. Total cost includes salaries, wages and related benefits, professional fees, supplies, purchased services, repairs and maintenance, and general and administrative expenses. The amount of charity care provided was approximately $10,600 and $12,900 for the years ended June 30, 2012 and 2011, respectively.

4. Net Patient Revenue

Patient service revenue, net of contractual allowances and discounts (but before bad debt), is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Differences between amounts originally recorded and finally settled are included in operations in the year in which the differences become known. Certain reimbursement arrangements are subject to retroactive audits and adjustments.

Essentia derives patient revenue primarily from patients covered under the Medicare and Medicaid programs and agreements with commercial insurers and managed care organizations as well as from private-pay patients. The basis for payment under agreements with commercial insurers and managed care organizations includes prospectively determined rates, discounts from established charges, and allowable cost.

Essentia provides care to patients under the Medicare and Medicaid programs and contractual arrangements with other third-party payors. The Medicare and Medicaid programs pay for inpatient and most outpatient services at predetermined rates under a prospective payment system.

Essentia has contracted with Blue Cross and Blue Shield of Minnesota, Wisconsin, and North Dakota (collectively, BCBS) to provide patient care to its members and is reimbursed based on negotiated rates.

Essentia utilizes a process to identify and appeal settlements by Medicare and other payors. Additional reimbursement is recorded in the year the appeal is successful. During the years ended June 30, 2012 and 2011, additional revenue due to successful appeals and cost report settlements amounted to approximately $8,300 and $7,600, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. While management believes that Essentia is in material compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in reimbursement from the Medicare program, including reduction of funding levels, could have an adverse effect on Essentia.

(Dollars in Thousands)

4. Net Patient Revenue (continued)

The mix of patient revenue from patients and third-party payors, net of contractual expense (but before bad debt), for the years ended June 30 is summarized below:

	2012	%	2011	%
Medicare	$ 493,562	32%	$ 534,222	34%
Medicaid	162,371	11	209,579	14
BCBS	403,341	26	335,134	22
Private-pay, managed care, commercial insurance, and other payors	484,075	31	471,713	30
	$ 1,543,349	100%	$ 1,550,648	100%

Net patient revenue is presented net of Medicare, Medicaid, managed care, and other third-party contractual adjustments of $1,457,687 and $1,350,838 for the years ended June 30, 2012 and 2011, respectively.

Essentia grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30 consists of the following:

	2012	2011
Medicare	$ 63,347	$ 69,907
Medicaid	24,168	32,648
BCBS	49,171	45,674
Private-pay, managed care, commercial insurance, and other payors	89,293	91,349
	$ 225,979	$ 239,578

(Dollars in Thousands)

5. Investments and Assets Whose Use Is Limited

At June 30, assets whose use is limited consisted of and were limited for the following purposes:

	2012	2011
Cash and cash equivalents	$ **65,062**	$ 50,309
Domestic equity securities	**105,421**	132,563
International equity securities	**41,676**	46,268
Equity mutual funds	**36,437**	50,707
Debt security mutual funds	**79,680**	61,079
Corporate debt securities	**19,726**	24,131
Hedged funds	**178,981**	171,741
Other	**13,451**	9,054
	$ **540,434**	$ 545,852
Funds designated by Board	$ **423,141**	$ 422,718
Funds held by trustee	**9,630**	22,209
Funds held under self-insurance program	**42,207**	42,836
Other	**65,456**	58,089
	540,434	545,852
Less current portion	**26,142**	33,265
Total non-current assets whose use is limited	$ **514,292**	$ 512,587

Essentia invests in certain alternative investments, principally hedge funds and funds of hedge funds. These investments are accounted for using the equity method. At June 30, 2012, Essentia's ownership percentage of alternative investments ranged from 0.03% to 10.62%. Through these investments, Essentia may be indirectly involved in investment activities such as securities lending, short sales of securities, options, warrants, trading in futures and forward contracts, swap contracts, and other derivative products. Derivatives are used to maintain asset mix or adjust portfolio risk exposure. While these financial instruments may contain varying degrees of risk and have varying degrees of liquidity, mostly ranging from 60 days to 365 days, Essentia's risk is limited to its capital balance in each investment.

(Dollars in Thousands)

5. Investments and Assets Whose Use Is Limited (continued)

Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements subsequent to year-end.

Investment return for the years ended June 30 consists of and was reported in the consolidated statements of operations and changes in net assets as follows:

	2012	2011
Dividends and interest	$ 9,778	$ 9,990
Net realized gains	8	23,754
Net change in unrealized gains and losses on trading investments	(18,534)	38,069
Net change in unrealized gains and losses on other-than-trading investments	(46)	1,562
	(8,794)	73,375
Less investment expenses related to investment return	3,677	2,278
	$ (12,471)	$ 71,097
Other operating revenue	$ 170	$ 168
Non-operating (losses) gains	(12,595)	68,402
Other changes in unrestricted net assets	(46)	220
Other changes in temporarily restricted net assets	–	2,307
	$ (12,471)	$ 71,097

(Dollars in Thousands)

6. Fair Value of Financial Instruments

Financial instruments carried at fair value as of June 30, 2012, for each caption on the consolidated balance sheet, are analyzed by the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents	$ 75,696	$ –	$ –	$ **75,696**
Short-term investments:				
Cash and cash equivalents	10,501	–	–	**10,501**
Other	520	210	–	**730**
Current assets whose use is limited, excluding alternative investments, which are accounted for on the equity method:				
Cash and cash equivalents	21,194	–	–	**21,194**
Other	1,300	422	–	**1,722**
Assets whose use is limited, excluding alternative investments, which are accounted for on the equity method:				
Cash and cash equivalents	43,868	–	–	**43,868**
Domestic equity securities	104,652	–	–	**104,652**
International equity securities	41,256	–	–	**41,256**
Equity mutual funds	36,437	–	–	**36,437**
Debt security mutual funds	79,569	–	–	**79,569**
Corporate debt securities	–	19,562	–	**19,562**
Other	5,638	7,555	–	**13,193**
Swap assets	–	–	3,278	**3,278**
Total assets valued at fair value	$ 420,631	$ 27,749	$ 3,278	$ **451,658**
Liabilities				
Swap liabilities	$ –	$ –	$ 27,154	$ **27,154**

(Dollars in Thousands)

6. Fair Value of Financial Instruments (continued)

Financial instruments carried at fair value as of June 30, 2011, for each caption on the consolidated balance sheet, are analyzed by the fair value hierarchy (as defined on page 25) as follows:

	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents	$ 74,478	$ –	$ –	$ 74,478
Short-term investments:				
Cash and cash equivalents	6,815	–	–	6,815
Other	258	229	–	487
Current assets whose use is limited, excluding alternative investments, which are accounted for on the equity method:				
Cash and cash equivalents	28,832	–	–	28,832
Other	1,673	453	–	2,126
Assets whose use is limited, excluding alternative investments, which are accounted for on the equity method:				
Cash and cash equivalents	21,477	–	–	21,477
Domestic equity securities	131,481	–	–	131,481
International equity securities	45,801	–	–	45,801
Equity mutual funds	50,707	–	–	50,707
Debt security mutual funds	60,955	–	–	60,955
Corporate debt securities	–	24,131	–	24,131
Other	–	8,601	–	8,601
Swap assets	–	–	5,079	5,079
Total assets valued at fair value	$ 422,477	$ 33,414	$ 5,079	$ 460,970
Liabilities				
Swap liabilities	$ –	$ –	$ 18,162	$ 18,162

6. Fair Value of Financial Instruments (continued)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The disclosure framework consists of a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Essentia's valuation methodologies for assets and liabilities measured at fair value is as follows:

- Fair value for Level 1 is based upon quoted market prices.

- Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers, and brokers.

- Fair value for Level 3 is based on unobservable market data, primarily credit valuation adjustments (CVAs) for derivative financial instruments. The fair value is determined by an independent third party utilizing a discounted cash flow methodology for valuing derivative financial instruments. The valuations reflect a credit spread adjustment to the London Interbank Offered Rate (LIBOR) swap curve in order to reflect CVAs for non-performance risk. The credit spread adjustment is derived from other comparably rated entities' bonds priced in the market. As of June 30, 2012 and 2011, Essentia's fair value of swaps included a CVA of $3,338 and $2,700, respectively.

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

(Dollars in Thousands)

6. Fair Value of Financial Instruments (continued)

The following table is a rollforward of the consolidated balance sheet amounts for financial instruments classified by Essentia in Level 3 of the valuation hierarchy:

	Swap Assets and Liabilities, Net
Fair value at June 30, 2010	$ (21,206)
Realized and unrealized gains, net on swap agreements included in excess of revenue and gains over expenses and losses	3,106
Settlements	5,017
Fair value at June 30, 2011	(13,083)
Realized and unrealized losses, net on swap agreements included in excess of revenue and gains over expenses and losses	**(11,770)**
Settlements	**977**
Fair value at June 30, 2012	**$ (23,876)**

Carrying amounts of cash and cash equivalents, patient accounts receivable, accounts payable, and payable to third-party payors approximate fair value due to the short-term nature of these instruments.

Fair value of fixed rate long-term debt is based on quoted market prices for these issues or, where such prices are not available, the estimated present value of future cash flows, discounted at interest rates available at the reporting date to Essentia for new debt of similar type and remaining maturity. For all other debt obligations that bear interest at floating rates, cost is assumed to equal fair value because of the nature of these obligations. At June 30, 2012 and 2011, the fair value of Essentia's long-term debt (excluding the effect of third-party credit enhancements) is estimated to be approximately $551,300 and $535,600, respectively.

(Dollars in Thousands)

7. Property and Equipment

Property and equipment at June 30 are summarized as follows:

	2012	2011
Land and land improvements	$ 35,388	$ 33,147
Buildings and building improvements	694,309	653,987
Furniture and equipment	546,392	531,973
	1,276,089	1,219,107
Accumulated depreciation and amortization	(704,640)	(692,220)
	571,449	526,887
Construction-in-progress	19,645	57,566
	$ 591,094	$ 584,453

In January 2009, Essentia incurred a financing obligation relating to a building completed and placed into service, resulting from agreements to lease a portion of a medical office building. Since the transaction did not qualify for sale-leaseback treatment, the building is treated as a financing transaction. The completed building cost of $10,272 at June 30, 2012 and 2011, and the related other long-term liability of $8,849 and $9,262 at June 30, 2012 and 2011, respectively, are included in the accompanying consolidated balance sheets.

8. Investments and Other Non-Current Assets

Investments and other non-current assets at June 30 are summarized as follows:

	2012	2011
Notes receivable	$ 8,672	$ 6,133
Investment in joint ventures and related organizations	93,120	91,360
Deferred financing costs, less accumulated amortization of $4,362 in 2012 and $3,655 in 2011	10,787	11,179
Intangible assets, less accumulated amortization of $550 in 2012 and $445 in 2011	1,710	1,815
Fair value of swap asset *(Note 9)*	3,278	5,079
Other	3,097	4,067
	$ 120,664	$ 119,633

(Dollars in Thousands)

9. Long-Term Debt

Long-term debt at June 30 consists of the following:

	Annual Interest Rate	2012	2011
Essentia Obligated Group Revenue Bonds:			
Series 2011, due through 2015	4.75%	$ **25,383**	$ 25,469
Series 2010, due through 2035	Variable rate	**103,855**	106,370
Series 2008, due through 2037	3.00% to 5.50%	**231,457**	236,309
Series 2008, due through 2040	4.90% to 5.10%	**105,559**	105,513
Other revenue bonds	2.00% to 5.25%	**19,632**	24,609
Line of credit	Variable rate	–	5,235
Other, primarily mortgages payable with annual principal payments through 2051	Various	**33,238**	27,915
Total debt		**519,124**	531,420
Less current portion		**17,052**	14,260
		$ **502,072**	$ 517,160

At June 30, 2012, Essentia's Obligated Group consisted of Essentia, CAG, EH East, Essentia Health St. Mary's Medical Center, Essentia Health Duluth, The Duluth Clinic, Ltd., Essentia Health Polinsky Medical Rehabilitation Center, Essentia Health St. Mary's Hospital – Superior, EH Central, Essentia Health St. Joseph's Medical Center, Essentia Health Brainerd Specialty Clinic, Essentia Health St. Mary's – Detroit Lakes, St. Mary's Innovis Health, and EH West.

Certain indebtedness of members of the Obligated Group and related entities is secured by notes issued under the Amended and Restated Master Trust Indenture, dated as of April 1, 1999 (the Master Trust Indenture (MTI)), and related documents, which require Obligated Group members to be jointly and severally obligated for the debt service on all obligations issued thereunder.

9. Long-Term Debt (continued)

All Obligated Group members have pledged certain unrestricted receivables and certain pass-through obligations for payment of long-term indebtedness issued under the MTI. No pass-through obligations were subject to the pledge as of June 30, 2012.

Most of the non-Obligated Group's debt is secured by certain assets of the entity that have borrowed the proceeds from the debt issue.

In March 2011, Essentia issued Revenue Bonds, Series 2011, in the amount of $25,155. The bonds are subject to semi-annual interest-only payments until February 2015, at which time the outstanding principal balance becomes due.

In June 2010, Essentia issued Variable Rate Revenue Bonds, Series 2010, in the amount of $109,535. The outstanding balances on the Series 1993 Bonds in the amount of $32,270 and on the Series 2008C-3 and Series 2008C-4 Bonds in the total amount of $55,900 were refinanced. The bonds are subject to a mandatory tender following an initial period, which ends in June 2015, at which time outstanding principal plus accrued interest becomes due.

In February 2010, Essentia restructured a portion of the outstanding Variable Rate Demand Revenue Bonds, Series 2008, which included converting $234,195 of Series 2008A, Series 2008B, and Series 2008C-1 Variable Rate Demand Bonds to fixed rate bonds with annual interest rates ranging from 3.00% to 5.50%. Prior to the restructuring, the variable rate demand bonds were subject to tender at the option of the bondholders. Prior to February 2010, liquidity facilities were in place in the form of standby bond purchase agreements, which were terminated as a result of the restructuring to fixed rate debt.

A portion of the proceeds of various bond issuances and funds available under prior bond indentures that are deemed to be legally defeased have been deposited into escrow accounts and invested in certain U.S. government obligations, the maturing principal of and interest paid on which will be sufficient to pay when due the principal of and interest on the refunded bonds.

(Dollars in Thousands)

9. Long-Term Debt (continued)

In June 2011, Essentia entered into a long-term master revolving line of credit with a bank under which it may borrow up to an aggregate of $60,000. The annual interest rate is based on the London Interbank Offered Rate (LIBOR) plus an applicable margin (1.15% at June 30, 2012). The line of credit terminates in June 2014, at the option of the bank. The line of credit is secured by a note issued under the MTI and is an obligation of the Essentia Obligated Group. As of June 30, 2012, there were no amounts outstanding under the line of credit. There was $5,235 outstanding as of June 30, 2011.

Essentia has a revolving line of credit with a bank under which it may borrow up to an aggregate of $30,000. There were no outstanding borrowings at June 30, 2012 and 2011.

The aggregate annual maturities of long-term debt, excluding the commercial paper notes and line of credit, for each of the five years subsequent to June 30, 2012, are as follows:

2013	$ 17,052
2014	14,294
2015	39,926
2016	8,062
2017	18,945

The MTI contains various covenants, including the requirement for the Essentia Obligated Group to maintain certain financial ratios, limit the incurrence of significant additional indebtedness, and limit transfers to non-Obligated Group members.

The proceeds of bonds, which were placed in various trust funds to be used in accordance with the applicable indenture provisions, are as follows at June 30:

	2012	2011
Bond interest, principal, and construction funds	$ 6,426	$ 18,425
Debt service reserve funds	3,204	3,784
	9,630	22,209
Less current portion	6,064	18,455
Total long-term portion	$ 3,566	$ 3,754

(Dollars in Thousands)

9. Long-Term Debt (continued)

Essentia enters into interest rate, constant maturity, fixed payer, and basis swaps to manage its exposure to changes in interest rates. From time to time, Essentia may enter into collar options as part of its investment strategy to minimize exposure to risk within the equity markets. These collar options may have a margin requirement, which places restrictions on cash or investments.

The following is a summary of the outstanding positions under these interest rate, constant maturity, fixed payer, and basis swaps at June 30, 2012:

Instrument Type	Notional Amount	Maturity Date	Rate Paid	Rate Received
Interest rate swaps	$ 23,090	2020	3.69% to 3.82%	70% 1-month LIBOR
Constant maturity swap	$ 50,000	2018	3-month LIBOR	87.94% 10-year ISDA swap rate
Fixed payer swaps	$ 80,383	2017 to 2037	1.775% to 3.432%	68% of 1-month or 3-month LIBOR
Basis swaps	$ 217,495	2030 to 2040	SIFMA	68% of 1-month or 3-month LIBOR plus 0.105% to 0.605%

Interest paid and received is based on swap rates, which are derived from LIBOR, the Securities Industry and Financial Markets Association (SIFMA), and the International Swaps and Derivatives Association (ISDA).

Swap assets are reported in investments and other non-current assets and swap liabilities in professional, pension, and other non-current liabilities in the consolidated financial statements, as follows:

	Notional Amount	Assets		Liabilities		(Loss) Gain Recorded as Non-Operating	
		2012	2011	2012	2011	2012	2011
Interest rate swaps	$ 23,090	$ –	$ –	$ 3,283	$ 2,878	$ (1,317)	$ (574)
Constant maturity swap	50,000	3,278	5,079	–	–	(811)	2,528
Fixed payer swaps	80,383	–	–	16,910	7,541	(11,113)	(3,706)
Basis swaps	217,495	–	–	6,961	7,743	1,471	4,490
Fixed receiver swap	–	–	–	–	–	–	368
Total swaps	$ 370,968	$ 3,278	$ 5,079	$ 27,154	$ 18,162	$ (11,770)	$ 3,106

9. Long-Term Debt (continued)

In order to reduce the effective interest rate on its fixed rate debt, Essentia has entered into fixed-payer, fixed-receiver, total-return and basis-swap agreements. Essentia has entered into a constant-maturity swap agreement to protect its short-term investments from a decline in short-term rates and to enhance non-operating gains. None of the swaps has been designated as a hedging instrument.

Certain of Essentia's derivative instruments contain provisions that require Essentia to post collateral when the net liability of the derivative instruments is greater than the predetermined threshold of $10,000. No collateral was required at June 30, 2012 or 2011.

Derivative transactions contain credit risk in the event the parties are unable to meet the terms of the contract, which is generally limited to the fair value due from counterparties on outstanding contracts. At June 30, 2012 and 2011, the counterparty with fair values due to Essentia had a Standard & Poor's credit quality rating of A-.

10. Income Taxes

Deferred tax assets at June 30, 2012 and 2011, relate primarily to depreciation along with federal and state net operating loss (NOL) carryovers. As of June 30, 2012, Essentia had federal NOLs of $4,240 and state NOLs of $4,203, expiring in varying amounts through 2032. Due to the operating performance of Essentia's taxable subsidiaries, a full valuation allowance of $1,853 and $1,866 has been established at June 30, 2012 and 2011, respectively, since it is more likely than not that none of the deferred tax asset will not be realized.

The statute of limitations for tax years ending June 30, 2007 through June 30, 2012, remains open to examination by the major U.S. taxing jurisdictions to which Essentia is subject. In addition, for all tax years prior to June 30, 2007, generating an NOL, tax authorities have the right to adjust the amount of the NOL.

(Dollars in Thousands)

11. Employee Benefit Plans

Essentia sponsors two defined benefit retirement plans (Defined Benefit Plans), which cover certain groups of Essentia's employees. Although the Defined Benefit Plans are closed to new participants, certain plan participants continue to accrue benefits. Essentia also provides other postemployment benefits to certain eligible participants, including a partial subsidy for health insurance coverage.

A summary of the change in the benefit obligation, the change in plan assets and the resulting funded status, the amounts recognized in the consolidated balance sheets, and the components of net periodic benefit of the Defined Benefit Plans as of June 30 (measurement date) are as follows:

	Year Ended June 30	
	2012	**2011**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 186,234**	$ 180,471
Service cost	**2,358**	2,364
Interest cost	**10,529**	10,030
Actuarial loss (gain)	**30,587**	(1,533)
Benefits paid	**(5,889)**	(5,098)
Benefit obligation at end of year	**223,819**	186,234
Change in plan assets		
Fair value of plan assets at beginning of year	**129,391**	105,606
Actual return on plan assets	**(8,614)**	22,136
Contributions	**8,478**	7,247
Benefits paid	**(5,889)**	(5,098)
Expenses paid	**(300)**	(500)
Fair value of plan assets at end of year	**123,066**	129,391
Net liability recognized (underfunded plan)	**$ (100,753)**	$ (56,843)

Accumulated benefit obligation was $195,326 and $160,469 at June 30, 2012 and 2011, respectively.

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Changes in plan assets and benefit obligations recognized in unrestricted net assets during the year ended June 30 consist of:

	2012	2011
Current year actuarial loss (gain)	$ 49,237	$ (15,468)
Amortization of actuarial loss	(2,887)	(5,175)
Total	$ 46,350	$ (20,643)

Actuarial losses included in unrestricted net assets that have not been recognized in net periodic pension cost at June 30, 2012 and 2011, were $93,428 and $47,078, respectively. Actuarial losses expected to be recognized in net periodic pension cost during the year ending June 30, 2013, are $3,738. Unrecognized actuarial losses are amortized on a straight-line basis.

Components of net periodic pension cost for the year ended June 30 are as follows:

	2012	2011
Service cost	$ 2,358	$ 2,364
Interest cost	10,529	10,030
Expected return on plan assets	(10,036)	(8,201)
Amortization of unrecognized net actuarial loss	2,887	5,175
Expenses paid	300	500
Benefit cost	$ 6,038	$ 9,868
Weighted average assumptions		
Discount rate at end of year (used to determine benefit obligation)	4.20% to 4.64%	5.29% to 5.80%
Discount rate at beginning of year (used to determine net periodic benefit cost)	5.29% to 5.80%	5.51% to 5.60%
Expected annual return on plan assets	7.75%	7.75%
Rate of annual compensation increase	2.00% to 2.60%	3.20% to 4.00%
Healthcare cost annual trend rate	8.50%	9.25%

The overall weighted average return on plan assets is determined by applying management's judgment to the results of computer modeling, historical trends, and benchmarking data.

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The Investment Committee of the Defined Benefit Plans, which consists of at least two members of the Board of Directors and a minimum of four staff members, reviews annually and approves the investment policy and asset allocation targets. The Investment Committee activities are supported by an independent investment consulting firm. The investment policy covers responsibilities of the investment managers, investment objectives, asset allocation targets and ranges, asset guidelines, and manager review criteria. The Investment Committee reviews asset allocation quarterly to determine if the current structure is appropriate and whether any changes are necessary. All assets are invested with outside managers.

The current target allocation and the actual asset allocation as of June 30 are as follows:

	Asset Allocation Target	2012	2011
Equity securities	30%–90%	**38%**	52%
Debt securities	15%–50%	**18**	12
Cash and cash equivalents	0%–55%	**7**	6
Other (primarily alternative investments)	0%–40%	**37**	30
Total		**100%**	100%

The fair value of the Defined Benefit Plans' pension plan assets was determined using the fair value hierarchy, as defined in Note 6, at June 30, 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 8,728	$ –	$ –	**$ 8,728**
Domestic equity securities	28,473	–	–	**28,473**
International equity securities	9,280	–	–	**9,280**
Equity mutual funds	8,586	–	–	**8,586**
Debt security mutual funds	13,472	–	–	**13,472**
Alternative investments	–	–	45,812	**45,812**
Immediate Participation Guarantee Contracts	–	–	8,715	**8,715**
	$ 68,539	$ –	$ 54,527	**$ 123,066**

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The fair value of the Defined Benefit Plans' pension plan assets was determined using the fair value hierarchy, as defined in Note 6, at June 30, 2011:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 7,998	$ –	$ –	$ 7,998
Domestic equity securities	26,812	–	–	26,812
International equity securities	14,763	–	–	14,763
Equity mutual funds	24,786	–	–	24,786
Debt security mutual funds	3,415	–	–	3,415
Alternative investments	–	–	39,439	39,439
Immediate Participation Guarantee Contracts	–	–	8,856	8,856
Other	–	3,322	–	3,322
	$ 77,774	$ 3,322	$ 48,295	$ 129,391

Fair value methodologies for Level 1 and Level 2 investments are consistent with the inputs described in Note 6. Fair value for Level 3 alternative investments is based on the fair value of the underlying assets as estimated in an unquoted market, which approximates the equity method of accounting. Fair values of alternative investments are determined by the investment managers or general partners. Fair values may be based on estimates that require varying degrees of judgment. The fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The financial statements of the investees are audited annually by independent auditors.

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy defined above:

	Alternative Investments	Immediate Participation Guarantee Contracts	Total
Fair value at June 30, 2010	$ 41,826	$ 8,735	$ 50,561
Purchases, issuances, and settlements, net	(6,592)	(479)	(7,071)
Actual return on plan assets	4,205	600	4,805
Fair value at June 30, 2011	39,439	8,856	48,295
Purchases, issuances, and settlements, net	**9,341**	**(449)**	**8,892**
Actual return on plan assets	**(2,968)**	**308**	**(2,660)**
Fair value at June 30, 2012	**$ 45,812**	**$ 8,715**	**$ 54,527**
Change in unrealized gains on investments held at June 30, 2012	**$ (950)**	**$ 3**	**$ (947)**

During 2013, Essentia expects to make pension contributions of $7,970 to the Defined Benefit Plans.

The following benefits, which reflect expected future service, are expected to be paid:

2013	$ 7,283
2014	8,524
2015	8,973
2016	9,445
2017	11,046
2018–2022	65,710

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Other Plans

Under a collective bargaining agreement, Essentia contributes to a union-sponsored multiemployer retirement plan. The risks of participation in these multiemployer plans are different from single-employer plans in the following aspects: a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and c) if Essentia chooses to stop participating in its multiemployer plan and if the plan is underfunded, Essentia may be required to pay those plans an amount based on the underfunded status of the plan, referred to as the withdrawal liability.

Essentia's participation in the multiemployer plan for the year ended June 30, 2012, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2012 and 2011 is for the plan's year-end at December 31, 2011 and 2010, respectively. The zone status is based on information that Essentia received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the range of expiration dates of various collective-bargaining agreements to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2012	Pension Protection Act Zone Status 2011	FIP/ RP Status Pending/ Implemented	Contributions of Company 2012	Contributions of Company 2011	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
Steelworkers Pension Trust	23-6648508/499	Green	Green	N/A	**$ 3,638**	$ 3,540	No	June 30, 2012 to June 30, 2014

11. Employee Benefit Plans (continued)

The union-sponsored multiemployer plan was at least 80% funded at December 31, 2011 and 2010. Total amounts expensed under the union-sponsored multiemployer plan were $3,652 and $3,590 for 2012 and 2011, respectively. Essentia is required to make contributions ranging from 3% to 5% of covered employees' gross earnings for the year ending December 31, 2012.

At the date Essentia's consolidated financial statements were issued, Form 5500 was not available for the union-sponsored multiemployer plan's year ended December 31, 2011.

Substantially all of Essentia's entities have individual defined contribution plans covering most of their employees. Contributions are based on a percentage of eligible employees' salaries. Total pension expense relating to the union-sponsored multiemployer retirement plan and defined contribution pension plans was $43,209 and $44,280 for the years ended June 30, 2012 and 2011, respectively.

12. Insurance

EHIS provides insurance coverage to most of Essentia's members (except the critical access hospitals) on a claims-made basis with limits of $5,000 per claim and $12,000 in the aggregate per policy year for professional liabilities and $3,000 per claim and $6,000 in the aggregate for each policy year for general liabilities. Premiums are based on claims experience.

Essentia's rural critical access hospitals are insured by a commercial insurance policy with a $25 deductible and limits of $2,000 per claim and $6,000 in the aggregate per policy year on a claims-made basis for both professional liability and general liability risks.

Essentia has self-funded the estimated value of professional and general liability claims, which amounted to $22,063 and $20,447 at June 30, 2012 and 2011, respectively, based on historical data, and includes IBNR claims.

Essentia has purchased excess professional and general liability insurances from the commercial insurance market with limits totaling $35,000 per claim and in the aggregate per policy year.

(Dollars in Thousands)

12. Insurance (continued)

Essentia is self-insured for workers' compensation claims, employee healthcare claims, and unemployment compensation risks, with stop-loss coverage above certain limits. Essentia is required to post security under its self-insured workers' compensation program, which was $12,189 as of both June 30, 2012 and 2011. Essentia has entered into a surety bond agreement to comply with this requirement.

13. Commitments and Contingencies

During 2012, Essentia entered into an agreement to construct a clinic. The total cost of the project is anticipated to be $934, most of which will be debt financed. Construction-in-progress was approximately $81 as of June 30, 2012.

Essentia has leases for equipment and satellite office facilities, which are classified as operating leases. Rental expense under these operating leases totaled $20,192 and $19,961 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments on operating leases in effect on June 30, 2012, for each of the five subsequent years and thereafter are as follows:

2013	$ 12,456
2014	10,553
2015	8,108
2016	7,215
2017	5,880
Thereafter	46,437
	$ 90,649

In connection with a corporate reorganization of BSBA, assets and liabilities of certain facilities were transferred to Essentia in 1985. BSBA retains title to the land occupied by these facilities and has leased the land to the facilities through June 30, 2040. Minimum annual lease payments are $32,266 over the remaining lease period, adjusted for inflation. Lease payments were $798 and $786 for the years ended June 30, 2012 and 2011, respectively.

Essentia has guaranteed amounts totaling $8,177 and $8,505 as of June 30, 2012 and 2011, respectively. No liability is recorded related to these guarantees.

13. Commitments and Contingencies (continued)

Essentia is a defendant in legal proceedings arising in the ordinary course of business. Although the outcome of these proceedings cannot be determined, in the opinion of management, they will not have a material adverse effect on Essentia's financial position or its results of operations. However, there can be no assurance that this will be the case.

At June 30, 2012, approximately 37% of employees are represented by 33 collective bargaining agreements, of which 13 will expire within one year.

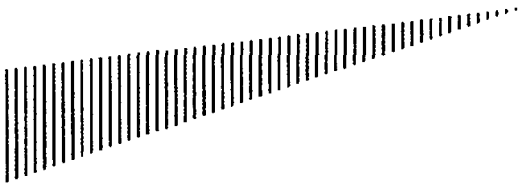
14. Functional Expenses

Essentia does not report expense information by functional classification because its resources and activities are directed primarily to providing healthcare services to residents in communities that it serves.

15. Subsequent Events

Essentia's management evaluated events and transactions occurring subsequent to June 30, 2012, through September 25, 2012, the date of issuance of the financial statements. During this period, there were no subsequent events requiring recognition or disclosure in the consolidated financial statements.

Supplementary Information



Ernst & Young LLP
Suite 1400
220 South Sixth Street
Minneapolis, MN 55402-4509
Tel: +1 612 343 1000
Fax: +1 612 339 1726
www.ey.com

Report of Independent Auditors on Supplementary Information

The Board of Directors
Essentia Health

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of community service and charity care provided is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst + Young LLP

September 25, 2012

Essentia Health

Schedule of Community Service and Charity Care Provided
(Dollars in Thousands)

Essentia maintains records to identify and monitor the level of community service and charity care provided. These records include management's estimate of the cost of services and supplies furnished for community service programs, the cost to provide charity care, and the cost in excess of reimbursement from public programs, which were estimated as follows for the years ended June 30, 2012 and 2011:

	Year Ended June 30	
	2012	**2011**
Cost of providing charity care	**$ 10,664**	$ 12,948
Costs in excess of Medicaid payments	**50,577**	70,549
Medicaid surcharge and MinnesotaCare tax	**19,756**	18,554
Community services	**1,747**	2,065
Subsidized health services	**22**	57
Education and work force development	**7,300**	6,815
Research	**4,218**	3,679
Cash and in-kind donations	**421**	985
Total cost of community benefits*	**94,705**	115,652
Cost in excess of Medicare payments	**121,921**	139,157
Other care provided without compensation (bad debt)	**72,192**	68,006
Discounts offered to uninsured patients	**11,558**	7,301
Taxes and fees	**3,116**	3,409
Total value of community contributions	**$ 303,492**	$ 333,525
Cost of community benefits as a percent of total operating expenses	**6.3%**	7.8%
Value of community contributions as a percent of total operating expenses	**20.1%**	22.6%

*As defined in the Catholic Health Association/VHA Inc. guidelines.

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young
Ernst & Young is a global leader in assurance, tax, transaction and advisory services Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality We make a difference by helping our people, our clients and our wider communities achieve their potential

For more information, please visit www ey com