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DLN: 93493120008133

OMB No 1545-0047

Department of the Treasury

**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)

Open to Public

		011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-20  C Name of organization	12	D Employer id	entification number
_	eck if ap Iress cha	St Mary's Regional Health Center			
_		Doing Business As		41-162038 E Telephone n	
_	ne chan			(218)847-	5611
_	ıal returi mınated	Number and street (or P O box if mail is not delivered to street address) Room/ 1027 Washington Ave	suite	<b>G</b> Gross receipts	
_	ended re	eturn City or town, state or country, and ZIP + 4			
_		Detroit Lakes, MN 56501			
,		F Name and address of principal officer	H(a) Takk	<b>.</b>	- f
		Peter Jacobson		ns a group retur ates?	n for
		1027 Washington Ave Detroit Lakes, MN 56501			
			1 ' '	II affiliates includ	led?
I Tax	x-exem <sub>l</sub>	ot status		up exemption nu	
J W	ebsite	▶ www essentiahealth org			
<b>K</b> Forn	n of org	anization 🔽 Corporation 🧵 Trust 📗 Association 🗍 Other 🕨	<b>L</b> Year of fo		M State of legal domicile
Pa	rt I	Summary		ľ	1N
		riefly describe the organization's mission or most significant activities			
ا بو	<u> </u>	eare called to serve our community by providing exceptional health care for	r lıfe		
Activities & Governance					
le l					
(S)		heck this box 🔰 if the organization discontinued its operations or disposed		1	1
×6		umber of voting members of the governing body (Part VI, line 1a)		3	8
<u>&amp;</u>		umber of independent voting members of the governing body (Part VI, line 1	-		3
		otal number of individuals employed in calendar year 2011 (Part V, line 2a)		5	878
ا ا		otal number of volunteers (estimate if necessary)		6	201
•		otal unrelated business revenue from Part VIII, column (C), line 12		7a	49,728
	b N	et unrelated business taxable income from Form 990-T, line 34		7b	-42,435
	_		Pric	or Year	Current Year
a l	8	Contributions and grants (Part VIII, line 1h)		446,984	105,913
Revenue	9	Program service revenue (Part VIII, line 2g)		70,344,324	77,585,197
β <sub>0</sub>	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	•	750,432	235,998
_	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), li		397,644	381,195
	12	12)	ille	71,939,384	78,308,303
	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)		0	209,964
	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)		39,874,661	43,415,239
Expenses	16a	Professional fundraising fees (Part IX, column (A), line 11e)		0	0
五	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		20 777 204	25.600.200
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)		29,777,281	35,698,223
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		69,651,942	79,323,426
₩ Ø	19	Revenue less expenses Subtract line 18 from line 12	Beginnin	2,287,442 g of Current	-1,015,123
Not Assets or Fund Balances			_	Year	End of Year
ASS Bal	20	Total assets (Part X, line 16)		98,908,227	99,098,648
end (	21	Total liabilities (Part X, line 26)		65,364,227	68,276,133
	22	Net assets or fund balances Subtract line 21 from line 20		33,544,000	30,822,515
	t II	Signature Block		-	
		ies of perjury, I declare that I have examined this return, including accompanying nd belief, it is true, correct, and complete. Declaration of preparer (other than offic			
knowl			•		
	ı	<u> </u>	ı	010.0:	
		****** Signature of officer		013-04-30 Pate	
c:		Byan Hill CEO			
	<u> </u>	Ryan Hill CFO Type or print name and title			
	2	1775 - 71111 11111 11111			
	<b>e</b>	Pate 1	Check if	Prenarer's tayns	ever identification number
Sign Here	2	Preparer's signature Date	Check if self-	Preparer's taxpa (see instructions	ayer identification number 5)
Here ——Paid		Preparer's signature Date			
Paid Prepa	arer's	Preparer's signature  Date  Date  Firm's name (or yours if self-employed),	self-		
Here ——Paid	arer's	Preparer's signature Date  Firm's name (or yours	self-	(see instructions	

Forn	Statement of Program Service Accomplishments Check if Schedule O contains a response to any question in this Part III					
Par						
1	Briefly describe th	e organization's missio	n			
<u>WE /</u>	ARE CALLED TO SEI	RVE OUR COMMUNIT	Y BY PROVIDI	NG EXCEPTIONAL HEA	ALTH CARE FOR LIFE	
	D.d.bh.a.amamanaha					
2						Yes V No
	If "Yes," describe t	hese new services on S	chedule O			
3						_ Yes ▽ No
	If "Yes," describe t	hese changes on Sched	lule O			
4	expenses Section	501(c)(3) and 501(c)(	4) organization:	s and section 4947(a)(1	.) trusts are required to repoi	•
4a	(Code	) (Expenses \$	48,245,329	ıncludıng grants of \$	209,964 ) (Revenue \$	60,415,977 )
	See Schedule 0					
4b	(Code	) (Expenses \$	15,586,262	ıncludıng grants of \$	0 ) (Revenue \$	15,296,354 )
	See Schedule 0					
4c	(Code	) (Expenses \$	1,636,601	ıncludıng grants of \$	0) (Revenue \$	1,872,866 )
	See Schedule O					

) (Revenue \$

Form **990** (2011)

Other program services (Describe in Schedule O )

Total program service expenses►\$

including grants of \$

65,468,192

4d

(Expenses \$

Part IV	Checklist	of Rea	uired	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? <i>If</i> " <i>Yes," complete Schedule D, Part V</i>	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			
а	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? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Par	t 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 $\textcircled{\textbf{5}}$	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		Νo
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)			
а	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	Yes	
С	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		Νo
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? <b>Note.</b> All Form 990 filers are required to complete Schedule O	38	Yes	
		F	orm <b>990</b>	(2011)

Form 990 (2011)

Part V Statements Regarding Other IRS Filings and Tax Compliance

	Check if Schedule O contains a response to any question in this Part V	•	-1	
			Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable			
	· · · · · · ·			
	<b>1a</b> 19			
L	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable			
U	1b			
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			
Ь	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)	20	165	
_				
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	Yes	
_		30	163	
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		Νo
ь	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			
	j i i i i i i i i i i i i i i i i i i i			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		N o
ь	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
		5b		
С	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	6a		
oa	organization solicit any contributions that were not tax deductible?	oa		IN O
h	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).			
а	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and	7a		No
_	services provided to the payor?	-		
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
С	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			
е	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		N o
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as	<b>-</b>		
_	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		
	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did	<del>/</del> "		
8	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		
Ь	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10	Section 501(c)(7) organizations. Enter			
	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			
11	Section 501(c)(12) organizations. Enter			
а	Gross income from members or shareholders			
b	Gross income from other sources (Do not net amounts due or paid to other			
	sources against amounts due or received from them )			
1 7 a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
		ca		
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.			
	Is the organization licensed to issue qualified health plans in more than one state?			
а	<b>Note.</b> 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 needed to issue qualified health plans			
С	Enter the aggregate amount of reserves on hand 13c			
1/1~		140		N o
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a		No_

**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.

Se	ction 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			
b	Enter the number of voting members included in line 1a, above, who are independent			
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			
а	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
	ection B. Policies (This Section B requests information about policies not required by the Internal			
ке	venue Code.)		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	103	No
	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	10b		
11a	purposes?  Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing			
	the form?  Describe in Schedule O the process, if any, used by the organization to review the Form 990	11a	Yes	
U	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?			
а	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
ь	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		
Se	ection C. Disclosure			
17	List the States with which a copy of this Form 990 is required to be filed▶MN			

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.

Own website Another's website V 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 RYAN HILL

1027 WASHINGTON AVE Detroit Lakes, MN 56501 (218) 847-0852

## 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

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

◆ 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

<b>(A)</b> Name and Tıtle	(B) A verage hours per week (describe	(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-	(F) Estimated amount of other compensation from the organization and
	hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former		MISC)	related organizations
(1) Cyndı Anderson Board Vice Chair	5 0	х		Х				0	0	0
(2) Bruce Hein Board Treasurer	5 0	х		Х				0	0	0
(3) Rhoda Hooper Board Director	5 0	Х						0	0	0
(4) Laurie Lewandowski Board Secretary	5 0	х		Х				0	1,300	0
(5) Sister Pauline Micke Board Director	5 0	Х						0	0	0
(6) Sister Luella Wegscheid Board DIRECTOR	5 0	Х						0	0	0
(7) James ANDERSON BOARD CHAIR	5 0	Х		Х				0	1,500	0
(8) laverne moltzan board director	1 0	х						0	0	0
(9) Abigail Ring MD Chief Med Officer thru 9/2011	60 0			Х				0	250,941	41,285
(10) Ryan Hıll Chief Financial Officer	60 0			Х				185,960	34,362	29,418
(11) Peter Jacobson President	60 0			Х				0	268,608	76,569
(12) Jean Evans Senior Administrator	60 0				х			158,204	0	8,390
(13) RICHARD MARTIN MD CHIEF OF STAFF	60 0				х			164,836	0	19,003
(14) Richard Vetter MD Clinical Services Chief	60 0				х			0	442,726	47,878
(15) Robert Koshnick MD Dyad Leader	60 0				х			0	178,770	35,640
(16) Mark Lindquist MD Physician	40 0					х		166,018	0	22,385
(17) Carl Kaster MD Physician	40 0					х		168,691	0	10,789

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

(A) Name and Title	(B) A verage hours per week (describe	unles an	on (d e thai	n one son er ai	e bo is b nd a	x, oth		(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-	(F) Estimated amount of other compensation from the organization and related	
	hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former		MISC)	relat organiza	
(18) Christy Brinkmann Senior Administrative Leader	40 0					х		147,817	0		15,246
(19) Linda Sue Sethre Pharmacist	40 0					Х		114,704	0		22,844
(20) Diana Johnson Chief Nursing Officer	40 0					х		134,626	0		19,263
(21) Thomas Thompson CHIEF EXECUTIVE OFFICER	0 0						х	0	743,550		47,809
(22) James Christensen MD Senior Administrative Leader	40 0						х	0	324,141		38,711
(23) Bradley Refsland MD Senior Administrative Leader	40 0						х	0	113,428		20,703
1b Sub-Total							►				
c Total from continuation sheets t	<u> </u>						•				
d Total (add lines 1b and 1c)				•		•	•	1,240,856	2,359,326		455,933
Total number of individuals (inclu \$100,000 of reportable compens	_				ted a	above:	) who	received more tha	n 	Yes	

	_		Yes	No
3	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee	ı		
	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			
	ındıvıdual	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	_		No.
	, , ,	<u> </u>		INO

### 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
Olaf Anderson General Contractors PO BOX 2766 FARGO, ND 581082766	Construction	6,255,651
Hammers Contruction PO Box 148 PERHAM, MN 56573	CONSTRUCTION	966,666
SISU Medical Systems 5 West First Street Suite 200 DULUTH, MN 55802	Software Support	638,746
NXC Imaging Inc 2118 4th Ave South MINNEAPOLIS, MN 554042642	Maintanace Contracts	595,865
Connect Healthcare LLC PO Box 523 MILBANK, SD 57252	Locums/Hospitalists	415,031
2 Total number of independent contractors (including but not limited to the	ose listed above) who received more than	

Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►18

Form 99		· ·						Page <b>9</b>
Part	<b>/1111</b>	Statement of	of Revenue		<b>(A)</b> Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512,513,or 514
#\$ ste	1a	Federated cam	paıgns 1a					
Contributions, gifts, grants and other similar amounts	Ь	Membership du	es <b>1b</b>					
s, g	c	Fundraising eve	ents <b>1c</b>					
無った	d	Related organiz	zations 1d	93,356				
Ξœ	e	Government grants	s (contributions) <b>1e</b>					
tion or so	f	All other contribute	ons, gifts, grants, and <b>1f</b>	12,557				İ
ਚਿੰਦ ਜ਼ਿਲ੍ਹ	g		butions included in					
늍								
ပိုင်း	h	Total. Add lines	s 1a-1f	· · · •	105,913			
- O				Business Code				
nua EMC	2a	HOSPITAL/CLINIC	SERVICES	621110	60,426,324	60,376,596	49,728	
Es Es	Ь	NURSING CENTER	SERVICES	623000	15,286,521	15,286,521		
Program Service Revenue	C	ASSISTED & INDEP	PENDENT LIVING	623000	1,872,352	1,872,352		
er M	d	SERVICES						
<u>د</u>	e	-						
⊆ E	f	All other progra	am service revenue					
₹		T-4-1 A dd	- 2- 25		77 505 407			
	g 3		ome (including dividen		77,585,197			
			ar amounts)		413,308			413,308
	4		stment of tax-exempt bond	-	0			
	5	Royalties		▶ ↑	0			
			(ı) Real	(II) Personal				
	6a	Gross rents						
	Ь	Less rental expenses						
	c	Rental income or (loss)						
	d		me or (loss)					
			(ı) Securities	(II) Other				
	7a	Gross amount from sales of	49,086					
		assets other than inventory						
	ь	Less cost or		226,396				
		other basis and sales expenses						
	c	Gain or (loss)	49,086	-226,396				
	d		ss)	▶	-177,310			-177,310
e	8a	Gross income f events (not inc	rom fundraising luding					
Other Revenue		of contributions See Part IV, lin	reported on line 1c)					
æ		See rate iv, iii	a					
<u>a</u>	b	Less direct ex	penses b					
₹	c	Net income or (	(loss) from fundraising	events 🕨	0			
	9a		rom gaming activities					
		See Part IV, III	ne 19 <b>a</b>					
	ь	Less direct ex	penses <b>b</b>					
	c		(loss) from gamıng actı	vities	О			
	10a	Gross sales of returns and allo	owances .					
	ь	less costofa	a oods sold b					
	c		(loss) from sales of inv	entory 🟲	О			
		Miscellaneou		Business Code				
	11a	CAFETERIA &	VENDING SALES	722210	154,145			154,145
	ь	LIFELINE EME	RGENCY ALARMS	621610	80,606			80,606
	c	RELEASE OF I	NFORMATION	900099	40,237			40,237
	d		ue		106,207			106,207
	e	Total. Add lines	s 11a-11d		381,195			
	12	Total revenue.	See Instructions .	▶		77 505 465	40 75-1	647.10-
					78,308,303	77,535,469	49,728	617,193

### 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

	ot include amounts reported on lines 6b,	(A)	(B)	(c)	(D)
	o, 9b, and 10b of Part VIII.	Total expenses	Program service expenses	Management and general expenses	Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	300.061	200.061		
2		209,964	209,964		
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	444,048	50,523	393,525	
6	Compensation not included above, to disqualified persons (as defined under section $4958(f)(1)$ ) and persons described in section $4958(c)(3)(B)$	306,817		306,817	
7	Other salaries and wages	33,111,619	29,826,877	3,284,742	
8	Pension plan contributions (include section 401(k) and section	33,111,019	29,020,077	3,204,742	
	403(b) employer contributions)	1,486,944	1,342,975		
9	Other employee benefits	5,751,922	3,642,132	2,109,790	
10	Payroll taxes	2,313,889	1,946,093	367,796	
11	Fees for services (non-employees)				
а	Management	0			
b	Legal	14,390		14,390	
С	Accounting	19,906		19,906	
d	Lobbying	601		601	
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	153,684		153,684	
g	Other	9,678,529	4,448,126	5,230,403	
12	Advertising and promotion	132,826	99,244	33,582	
13	Office expenses	1,771,948	1,397,021	374,927	
14	Information technology	824,374	56,923	767,451	
15	Royalties	0			
16	Occupancy	1,239,635	1,139,821	99,814	
17	Travel	234,326	180,630	53,696	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	133,205	48,552	84,653	
20	Interest	2,191,124	2,191,124		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	4,068,383	4,068,383		
23	Insurance	737,236	737,236		
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	8,109,675	8,047,093	62,582	
b	BAD DEBT EXPENSE	4,160,679	4,160,679		
c	MINNESOTA CARE TAX	696,164	696,164		
d	MEDICAL SURCHARGE	661,035	661,035		
e					
f	All other expenses	870,503	517,597	352,906	
25	Total functional expenses. Add lines 1 through 24f	79,323,426	65,468,192	13,855,234	0
26	<b>Joint costs.</b> 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				
	4 a. J. a.			Fo	rm <b>990</b> (2011)

Part X **Balance Sheet** (A) (B) Beginning of year End of year 1,790,903 140,387 1 1 17.568 2 9.397 2 3 ol 3 0 8.761.771 15.707.687 4 5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . . . 0 0 5 6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of 0 0 6 0 7 0 1.585.788 2.029.834 9 198.942 164.522 Prepaid expenses and deferred charges . . . . . . 10a 91,433,010 Land, buildings, and equipment cost or other basis *Complete* Part VI of Schedule D 10a 10b 32,341,750 56,833,220 b Less accumulated depreciation . . . . 10c 59,091,260 4,833,789 1,932,615 11 11 19,148,963 12 19,689,000 12 Investments—other securities See Part IV, line 11 . . . . . . 13 4,234,506 13 0 Investments—program-related See Part IV, line 11 . . 0 14 14 970,911 865,812 15 15 98,908,227 99,098,648 16 Total assets. Add lines 1 through 15 (must equal line 34) . . . 16 5,519,224 17 6,458,113 17 Accounts payable and accrued expenses . 18 18 0 19 19 0 20 56.069.451 20 54.543.644 21 Escrow or custodial account liability Complete Part IV of Schedule D . . 21 0 Liabilities 22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified ol 0 22 ol 23 Secured mortgages and notes payable to unrelated third parties . . . 23 1,318,355 ol 24 Unsecured notes and loans payable to unrelated third parties . . . . 24 25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule 3,775,552 25 5,956,021 D . . . . . 26 65,364,227 26 68,276,133 **Total liabilities.** Add lines 17 through 25 . . . . . Organizations that follow SFAS 117, check here ▶ 🔽 and complete lines 27 Balances through 29, and lines 33 and 34. 27 33,544,000 27 30,822,515 Unrestricted net assets . . . . 0 0 28 Temporarily restricted net assets . . . . . 28 Fund 29 ol 29 0 Permanently restricted net assets . . . . Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34. ö 30 Capital stock or trust principal, or current funds . . . . . 30 Assets 31 31 Paid-in or capital surplus, or land, building or equipment fund . . . . . 32 32 Retained earnings, endowment, accumulated income, or other funds ž 33 33.544.000 33 30.822.515 Total net assets or fund balances . . . . . 34 Total liabilities and net assets/fund balances . . . . . 98.908.227 34 99.098.648

Ра	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		78,3	308,303
2	Total expenses (must equal Part IX, column (A), line 25)	2			323,426
3	Revenue less expenses Subtract line 2 from line 1	3		-1,0	015,123
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4		33,5	544,000
5	Other changes in net assets or fund balances (explain in Schedule O)	5		-1,7	706,362
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		30,8	322,51!
Pa	Tt XII Financial Statements and Reporting  Check if Schedule O contains a response to any question in this Part XII			୮	
				Yes	No
1	Accounting method used to prepare the Form 990				
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 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 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 on a separate basis, consolidated basis, or both	ıssued			
	Separate basis Consolidated basis Both consolidated and separated basis				
За	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?	ne	За		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	required	3b		

### OMB No 1545-0047

Inspection

### **SCHEDULE A**

(Form 990 or 990EZ)

Name of the organization

Department of the Treasury Internal Revenue Service

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

**Public Charity Status and Public Support** 

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

**Employer identification number** 

St Mary's Regional Health Center 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) 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). 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 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) A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v). 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) A community trust described in section 170(b)(1)(A)(vi) (Complete Part II) An organization that normally receives (1) more than 331/3% 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 331/3% 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 Seesection 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 **b** Type II c Type III - Functionally integrated Type III - Other ┌ Type I 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) 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 Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) Yes No 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) (iii) (iv) (vi) (v) Type of Is the Did you notify the Is the (i) organization organization in (vii) organization in organization in Name of (ii) (described on col (ı) lısted ın Amount of col (i) of your col (i) organized EIN lines 1-9 above supported your governing support? support? in the US? or IRC section organization document? (see Yes Yes No Yes instructions))

Total

instructions

Sch	edule A (Form 990 or 99	90-EZ)2011						Page <b>2</b>
	(Complet	e only if you	checked the	box on line 5,	7, or 8 of Part	<b>(b)(1)(A)(iv)</b> I or if the orgar	nızatıon faıle	d to qualify
			<u>organızatıon f</u>	fails to qualify ι	<u>under the tests</u>	listed below, pl	<u>lease comple</u>	ete Part III.)
	ection A. Public Su					Т	1	
Cal	endar year (or fiscal ye in)	ar beginning	<b>(a)</b> 2007	<b>(b)</b> 2008	<b>(c)</b> 2009	(d) 2010	(e) 2011	( <b>f</b> ) Total
1	Gifts, grants, contribut	ions, and						
	membership fees recei							
	ınclude any "unusual							
_	grants ") Tax revenues levied fo	rtho						
2	organization's benefit a							
	paid to or expended on							
	behalf							
3	The value of services of							
	furnished by a governme the organization withou							
4	Total. Add lines 1 thro	_						
5	The portion of total cor	-						
-	by each person (other	than a						
	governmental unit or p	•						
	supported organization line 1 that exceeds 2%							
	amount shown on line 1							
	(f)	21,0014						
6	Public Support. Subtractine 4	ct line 5 from						
S	ection B. Total Sup	port						
Cal	<b>endar year</b> (or fiscal yea	r beginning	<b>(a)</b> 2007	<b>(b)</b> 2008	<b>(c)</b> 2009	(d) 2010	<b>(e)</b> 2011	(f) Total
_	ın)	_	(4) 2007	(2) 2000	(4) 2005	(4) 2020	(0) 2022	(1) 1 3 4 4
7 8	A mounts from line 4 Gross income from inte	rost –						
0	dividends, payments re							
	securities loans, rents							
	and income from simila	ır						
_	sources							
9	Net income from unrela business activities, wh							
	not the business is reg							
	carried on							
10	Other income (Explain							
	IV ) Do not include gai from the sale of capital							
11	Total support (Add line							
	through 10)							
12	Gross receipts from re	lated activities	s, etc (See inst	ructions )			12	
13	First Five Years If the		r the organizati	on's first, second	l, thırd, fourth, or	fıfth tax year as a	501(c)(3) or	
	check this box and <b>sto</b>	p here						<b>▶</b> □
S	ection C. Computat	ion of Publ	ic Support F	Percentage				
14	Public Support Percen	tage for 2011	(line 6 column	(f) dıvıded by lıne	11 column (f))		14	
15	Public Support Percen	tage for 2010	Schedule A , Pa	rt II, line 14			15	
16a	33 1/3% support test-					line 14 is 33 1/3%	% or more, che	
h	and <b>stop here.</b> The org  33 1/3% support test					6a and line 15 is	33 1/20% or m	ore check this
D	box and <b>stop here.</b> The					oa, and inte 15 IS	1/3%0 UI M	ore, check this
17a	10%-facts-and-circum	-	•		-	ne 13, 16a, or 16	b and line 14	٠,
	ıs 10% or more, and ıf							
	in Part IV how the orga	anızatıon meet	s the "facts and	d circumstances"	test The organiz	zatıon qualıfıes as	a publicly su	
b	organization 10%-facts-and-circum	stances test—	<b>2010.</b> If the ora	anization did not	check a hov on li	ne 13, 16a 16b	or 17a and lin	<b>▶</b>
,	15 is 10% or more, an							-
	Explain in Part IV how	the organizati						
10	supported organization  Private Foundation If t		n did not chools	a hov on line 12	16a 16h 17a a	or 17h chack this	hov and coc	<b>►</b> □

**▶**□

Schedule A (Form 990 or 990-EZ) 2011 Page 3 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 (a) 2007 **(b)** 2008 (c) 2009 (d) 2010 (e) 2011 (f) Total ın) Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ") 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 Gross receipts from activities that are not an unrelated trade or business under section 513 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf The value of services or facilities furnished by a governmental unit to the organization without charge Total. Add lines 1 through 5 7a Amounts included on lines 1, 2, and 3 received from disqualified persons 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 Public Support (Subtract line 7c from line 6) Section B. Total Support Calendar year (or fiscal year beginning (a) 2007 **(b)** 2008 (c) 2009 (d) 2010 (e) 2011 (f) Total ın) Amounts from line 6 Gross income from interest, 10a dividends, payments received on securities loans, rents, royalties and income from similar sources Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 Add lines 10a and 10b C Net income from unrelated 11 business activities not included in line 10b, whether or not the business is regularly carried on Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV) Total support (Add lines 9, 10c, 13 11 and 12) 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 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f)) 15 15 Public support percentage from 2010 Schedule A, Part III, line 15 16 16 Section D. Computation of Investment Income Percentage

Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))

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

18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

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

more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization

Investment income percentage from 2010 Schedule A, Part III, line 17

17

18

17

18

**▶**[

Part IV	<b>Supplemental Information.</b> Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).
	Facts And Circumstances Test
	Explanation

Schedule A (Form 990 or 990-EZ) 2011

DLN: 93493120008133

OMB No 1545-0047

## 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.

f the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities),
then
Control 504(-)(2) consensations. Consults Date I A and D. Danet consults Date I C

- 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

Provide a description of the organization's direct and indirect political campaign activities on behalf of or

◆ 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	organiza	tıon
St Marv	's Reak	nal Health	Cente

Employer identification number

41-1620386

- in opposition to candidates for public office in Part IV 2
- Political expenditures
- 3 Volunteer hours

art I-B	Complete i	<u>f the organi</u>	<u>zation is exem</u>	<u>ipt under sec</u>	tion 501(c)(3).

- Enter the amount of any excise tax incurred by the organization under section 4955 1
- 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?
- Was a correction made?
- 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).

- Enter the amount directly expended by the filing organization for section 527 exempt function activities
- 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
- Did the filing organization file Form 1120-POL for this year?

☐ Yes

Yes

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>(b)</b> Address	(c) EIN	(d) A mount 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-

**f** Grassroots lobbying expenditures

(The term "expenditures" means amounts paid or incurred.)  Lia 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  If the amount on line 1e, column (a) or (b) is:  The lobbying nontaxable amount is:  Not 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 \$1,000,000 but not over \$1,000,000 \$1,000,000  g Grassroots nontaxable amount (enter 25% of line 1f)  Subtract line 1g from line 1a If zero or less, enter -0-  i Subtract line 1f from line 1c If zero or less, enter -0-  j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?  4-Year Averaging Period Under Section 501(h)  (Some organizations that made a section 501(h) election do not have to complete all columns below. See the instructions for lines 2a through 2f on page 4.)	ווטפ	edule C (F	01111 9 9 0 01 9 9 0 - EZ ) 2 0 1 1					Page <b>∠</b>
A Check   If the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member expenses, and share of excess lobbying expenditures)    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.)   Organization Total Incurred (The term "expenditures" means amounts paid or incurred.)   Organization Total Incurred (The term "expenditures to influence a legislative body (direct lobbying)	Pa	rt II-A		n is exempt under	section 501(	c)(3) and fi	iled Form 5768	(election
expenses, and share of excess lobbying expenditures)  Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)  Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)  Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)  Limits on Lobbying Expenditures (The term "expenditures to influence public opinion (grass roots lobbying)  Lobbying expenditures to influence a legislative body (direct lobbying)  Total lobbying expenditures (add lines 1a and 1b)  Other exempt purpose expenditures  Total obtaining purpose expenditures (add lines 1c and 1d)  Lobbying nontaxable amount Enter the amount from the following table in both columns  If the amount on line 1e, column (a) or (b) is:  If the amount on line 1e, column (a) or (b) is:  If the amount on line 1e, column (a) or (b) is:  Not over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  S1,000,000 but not over \$1,500,000  S1,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  S1,000 but not over \$1,500,000  S1,000 but not over \$1,500,000  Over \$1,0	١	Check		an affiliated group (and	lıst ın Part IV ea	ch affiliated gr	oup member's nam	e, address, EIN,
Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)  Total lobbying expenditures to influence public opinion (grass roots lobbying)  Total lobbying expenditures (add lines 1 aand 1b)  Other exempt purpose expenditures (add lines 1 aand 1b)  Lobbying nontaxable amount Enter the amount from the following table in both columns  If the amount on line Le, column (a) or (b) is:  If the amount on line Le, column (a) or (b) is:  Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S10,000,000  Over \$1,000,000 but not over \$1,000,000  S10,000,000  Fig. Soon over \$1,000,000  Fig. Soon ov			expenses, and share of excess lob	bying expenditures)		_	•	
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  f Lobbying nontaxable amount Enter the amount from the following table in both columns  If the amount on line 1e, column (a) or (b) is:  Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S175,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S175,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S175,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S175,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S175,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$	3	Check	ıf the filing organization checked bo	ox A and "limited contro	ol" provisions app	ly	1	1
(The term "expenditures" means amounts paid or incurred.)  Ital Total lobbying expenditures to influence public opinion (grass roots lobbying)  b 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  If the amount on line 1e, column (a) or (b) is:  The lobbying nontaxable amount is:  Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1225,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S1200,000 plus 10% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000,000 but			Limits on Lobbying	Expenditures			(a) Filing	(b) Affiliated
Total lobbying expenditures to influence public opinion (grass roots lobbying)  b Total lobbying expenditures (add lines 1a and 1b)  d Other exempt purpose expenditures  Total exempt purpose expenditures (add lines 1c and 1d)  f Lobbying nontaxable amount Enter the amount from the following table in both columns  If the amount on line 1e, column (a) or (b) is:  The lobbying nontaxable amount is: Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S175,000 plus 15% of the excess over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  S100,000 plus 15% of the excess over \$1,000,000  Over \$1,000,000  Over \$1,000,000  Over \$1,000,000  The lobbying nontaxable amount is:  Not over \$500,000  Over \$1,000,000  Over \$1,000,00					l.)		Organization's Totals	Group Totals
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  If the amount on line 1e, column (a) or (b) is: Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,7000,000  Over \$1,000,000 but not over \$1,7000,000  S225,000 plus 15% of the excess over \$1,000,000  Over \$1,7000,000  Over \$1,7000,000  F17,000,000  S225,000 plus 5% of the excess over \$1,500,000  Over \$1,7000,000  F17,000,000  S1,000,000  F17,000,000  F17,000,		<b>-</b>			1 \		100013	1 ocars
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  If the amount on line 1e, column (a) or (b) is:  If the amount on line 1e, column (a) or (b) is:  Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  In the excess over \$1,000,000  F1,000,000  F1,000,0				· -				
d O ther exempt purpose expenditures  Total exempt purpose expenditures (add lines 1c and 1d)  Lobbying nontaxable amount Enter the amount from the following table in both columns  If the amount on line 1e, column (a) or (b) is:  The lobbying nontaxable amount is:  Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000					ying)			
Total exempt purpose expenditures (add lines 1c and 1d)    Lobbying nontaxable amount Enter the amount from the following table in both columns   If the amount on line 1e, column (a) or (b) is:			,	b)				
f Lobbying nontaxable amount Enter the amount from the following table in both columns  If the amount on line 1e, column (a) or (b) is:  Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,500,000  Over \$17,000,000 but not over \$1,7000,000  Over \$17,000,000 but not over \$17,000,000  S225,000 plus 10% of the excess over \$1,000,000  Over \$17,000,000  Over \$17,000,000  Over \$17,000,000  S225,000 plus 5% of the excess over \$1,000,000  Over \$17,000,000  Over \$17,000,000  S1,000,000  S1,000,0	d	Otherexe	empt purpose expenditures					
Columns  If the amount on line 1e, column (a) or (b) is: Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$500,000 but not over \$1,500,000  Over \$1,000,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,7000,000  Over \$1,500,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,500,000  Over \$1,000,000  Over \$1,500,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,500,000  Over \$1,500,000  Over \$1,500,000  S1,000,000	e	Total exe	mpt purpose expenditures (add lines 1	.c and 1d)				
Not over \$500,000  Over \$500,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,000,000  Over \$1,000,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,7000,000  Over \$1,500,000 but not over \$1,7000,000  Over \$1,500,000 but not over \$1,000,000  Over \$1,500,000 but not over \$1,000,000  S225,000 plus 5% of the excess over \$1,500,000  Over \$17,000,000  S1,000,000  Grassroots nontaxable amount (enter 25% of line 1f)  Subtract line 1g from line 1a If zero or less, enter -0-  Subtract line 1f from line 1c If zero or less, enter -0-  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?  4-Year Averaging Period Under Section 501(h)  (Some organizations that made a section 501(h) election do not have to complete all 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) 20  Lobbying celling amount	f		nontaxable amount Enter the amount	from the following table	in both			
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 \$1,000,000 \$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 \$1,000,00		If the an	ount on line 1e, column (a) or (b) is:	The lobbying nontax	able amount is:			
Over \$1,000,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,500,000  Over \$1,500,000 but not over \$1,500,000  Section \$225,000 plus 5% of the excess over \$1,500,000  Over \$17,000,000  g Grassroots nontaxable amount (enter 25% of line 1f)  h Subtract line 1g from line 1a If zero or less, enter -0-  i Subtract line 1ffrom line 1c If zero or less, enter -0-  j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?  4-Year Averaging Period Under Section 501(h)  (Some organizations that made a section 501(h) election do not have to complete all 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) 20  2a Lobbying ceiling amount		Not over \$5	500,000	20% of the amount on lii	ne 1e			
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 \$1,00		Over \$500,	000 but not over \$1,000,000	\$100,000 plus 15% of the	e excess over \$500,0	000		
g Grassroots nontaxable amount (enter 25% of line 1f) h Subtract line 1g from line 1a If zero or less, enter -0- i Subtract line 1f from line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?  4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all 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) 20  Lobbying celling amount		Over \$1,00	0,000 but not over \$1,500,000	\$175,000 plus 10% of the	e excess over \$1,000	,000		
g Grassroots nontaxable amount (enter 25% of line 1f) h Subtract line 1g from line 1a If zero or less, enter -0- i Subtract line 1ffrom line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?  4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all 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) 20  Lobbying non-taxable amount		Over \$1,50	0,000 but not over \$17,000,000	\$225,000 plus 5% of the	excess over \$1,500,	000		
h Subtract line 1g from line 1a If zero or less, enter -0- i Subtract line 1f from line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?  4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all 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) 20 2a Lobbying ceiling amount		Over \$17,0	00,000	\$1,000,000				
h Subtract line 1g from line 1a If zero or less, enter -0- i Subtract line 1f from line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?  4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all 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) 20 2a Lobbying ceiling amount								
i Subtract line 1f from line 1c If zero or less, enter -0-  j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?  4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all 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) 20  Lobbying non-taxable amount		Grassroo	ts nontaxable amount (enter 25% of li	ne 1f)				
i Subtract line 1f from line 1c If zero or less, enter -0-  j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?  4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all 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) 20  Lobbying non-taxable amount	h	Subtract	line 1a from line 1a If zero or less. en	ter -0 -				
Jection 4911 tax for this year?  4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all 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) 20  Lobbying ceiling amount								
4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete al 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) 20  Lobbying non-taxable amount					organization file	Form 4720 re	portina	
(Some organizations that made a section 501(h) election do not have to complete al 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) 20  Lobbying non-taxable amount							F - 1 - 1 - 1 - 1	┌ Yes ┌ No
Calendar year (or fiscal year beginning in)  (a) 2008 (b) 2009 (c) 2010 (d) 2009  Lobbying non-taxable amount		(Sor	ne organizations that made a	section 501(h) el	ection do not	have to co		ne five
beginning in)  (a) 2008 (b) 2009 (c) 2010 (d) 20  2a Lobbying non-taxable amount  b Lobbying ceiling amount			Lobbying Exp	enditures During	4-Year Avera	ging Period	d	
<b>b</b> Lobbying ceiling amount				(a) 2008	<b>(b)</b> 2009	(c) 2010	(d) 2011	<b>(e)</b> Total
	2a	Lobbyin	g non-taxable amount					
	b							
c Total lobbying expenditures	c	Total loi	obying expenditures					
d Grassroots non-taxable amount	d	Grassro	ots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))	e							

· · · · · · · · · · · · · · · · · · ·	,		2
Part II-B	Complete if the organiza	tion is exempt under section 501(c)(3) and has NOT filed Form 5768	
	(election under section !	01(h)).	

		(a) (		(b)
		Yes	No	Amount
_ I	During the year, did the filing organization attempt to influence foreign, national, state or local egislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a∖	/olunteers?		Νo	
<b>b</b> F	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		Νo	
c N	Media advertisements?		Νo	
d N	Mailings to members, legislators, or the public?		Νo	
e F	Publications, or published or broadcast statements?		Νo	
f	Grants to other organizations for lobbying purposes?		No	
g [	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h F	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i (	Other activities? If "Yes," describe in Part IV	Yes		601
j T	Total lines 1c through 1:			601
<b>2</b> a [	Old the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
<b>b</b> I	f "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> I	f "Yes," enter the amount of any tax incurred by organization managers under section 4912		Ī	
d I	f the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

-	Dues, assessments and similar amounts nom members	_	
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).		
а	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 11-B		ESSENTIA HEALTH ST MARY'S-DETROIT LAKES 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

DLN: 93493120008133

OMB No 1545-0047

**Inspection** 

### 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.

Name of the organization Employer identification number St Mary's Regional Health Center 41-1620386 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 Total number at end of year 2 Aggregate contributions to (during year) 3 Aggregate grants from (during year) Aggregate value at end of year Did the organization inform all donors and donor advisors in writing that the assets held in donor advised

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

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

L	Pui	pose(s) of conservation easements held by the organization (chec	k all	that apply)
	$\sqcap$	Preservation of land for public use (e g , recreation or pleasure)	$\sqcap$	Preservation of an historically importantly land area
	Γ	Protection of natural habitat	$\sqcap$	Preservation of a certified historic structure
	Γ	Preservation of open space		
_	_			

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

funds are the organization's property, subject to the organization's exclusive legal control?

Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be

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

2d Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶\_

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

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

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

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year

Does each conservation easement reported on line 2(d) above satisfy the requirements of section

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

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

- 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
- 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

170(h)(4)(B)(ı) and 170(h)(4)(B)(ıı)?

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

Revenues included in Form 990, Part VIII, line 1

Assets included in Form 990, Part X

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990 Cat No 52283D

Schedule D (Form 990) 2011

Part	Organizations Maintaining Co	<u>llections of Art</u>	<u>:, His</u>	<u>tori</u>	<u>cal Tr</u>	<u>eası</u>	ures, or O	une	i Sillillai Ass	sets (c	ontinuea)
	Using the organization's accession and othe items (check all that apply)	r records, check an	y of th	ne foll	owing	that aı	re a significa	ant u	se of its collecti	ion	
a j	Public exhibition		d	Γ	Loan	orexc	hange progi	rams			
Ь	Scholarly research		e	Γ	Other	r					
<b>c</b>	Preservation for future generations										
	Provide a description of the organization's co Part XIV	ollections and expla	ıın hov	w the	/ furthe	er the	organızatıor	ı's ex	cempt purpose ır	n	
	During the year, did the organization solicit of assets to be sold to raise funds rather than t									_ Yes	┌ No
Part	Part IV, line 9, or reported an an						n answere	d "Y	es" to Form 9	90,	
	Is the organization an agent, trustee, custod included on Form 990, Part X?	lan or other interme	ediary	for c	ontribu	ıtıons	or other ass	ets		_ Yes	┌ No
<b>b</b> 1	If "Yes," explain the arrangement in Part XIV	/ and complete the	follow	ving ta	able		Г		A		
_							-	4 -	Am	ount	
_	Beginning balance						-	1c			
	Additions during the year						-	1d			
_	Distributions during the year						-	1e			
	Ending balance		<b>.</b>				L	1f		<del></del>	
	Did the organization include an amount on Fo		e 21?	1					ı	Yes	│ No
	If "Yes," explain the arrangement in Part XIV					-11 1 -	F 000	D-			
Part	t V Endowment Funds. Complete	if the organization (a)Current Year		)Prior \			Form 990, wo Years Back			<b>(e)</b> Four \	ears Back
1a	Beginning of year balance	(a)curient rear	(5	<i>)</i> 1 1101	Cai	(6)11	WO TCUIS DUCK	1(4)	Tillee Tears back	(C) our	redis back
	Contributions										
	Investment earnings or losses							T			
	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 yea	r end balance held a	as			•		•			
a	Board designated or quasi-endowment 🕨										
b	Permanent endowment 🕨										
c ·	Term endowment 🕨										
	Are there endowment funds not in the posse: organization by	ssion of the organiza	ation	that a	re held	d and a	administere	d for	the	Yes	No
1	(i) unrelated organizations								3a(i		
	(ii) related organizations								. 3a(i		1
	If "Yes" to 3a(II), are the related organizatio	•						•	3b		
4	Describe in Part XIV the intended uses of th	e organization's end	uowm	ent tu	nnc						
Dank	VI Land Puildings and Equipmen	Int Con Form OO	<u> </u>			10					
Part	VI Land, Buildings, and Equipme	ent. See Form 99	0, Pa	art X	line :					T	
	Description of property	ent. See Form 99	00, Pa	art X		other	(b)Cost or o	er)	(c) Accumulated depreciation	( <b>d</b> ) B	ook value
<b>1a</b> La	Description of property	ent. See Form 99	00, Pa	art X	line :	other		er)		(d) B	
<b>1a</b> La <b>b</b> Bo	Description of property	ent. See Form 99	00, Pa	art X	line :	other	basis (othe	r) 3,915			4,373,915
<b>1a</b> La <b>b</b> Bo	Description of property	ent. See Form 99	00, Pā	art X	line :	other	basis (othe	r) 3,915	depreciation		ook value 4,373,915 47,212,625
1a La b Ba c La d Ea	Description of property and	ent. See Form 99	00, Pa	art X	line :	other	basis (other 4,373 68,416 17,961	3,915 9,242 1,546	21,203,617 10,753,083		4,373,915
1a La b Bi c La d Ea	Description of property and	· · · · · · · · · · · · · · · · · · ·		(a) basis	Cost or cost or cost or cost	other ment)	basis (other 4,373 68,416 17,961	er) 3,915 3,242 ,,546 .,306	depreciation 21,203,617	, , ,	4,373,915 47,212,625

Part VII Investments—Other Securities. See	Form 990, Part X, line 12		
(a) Description of security or category	(b)Book value		od of valuation
(including name of security)	. ,	Cost or end-o	f-year market value
(1)Financial derivatives			
(2)Closely-held equity interests			
(3)Other	10 140 063		F
(A) POOLED INVESTMENT FUND	19,148,963		F_
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)			
Part VIII Investments—Program Related. See	Form 990, Part X, line :		
(a) Description of investment type	(b) Book value		od of valuation
		Cost or end-o	f-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, lin			
(a) Descrip	otion		<b>(b)</b> Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1	5.)		
Part X Other Liabilities. See Form 990, Part X			
1 (a) Description of Liability	<b>(b)</b> A mount		
Federal Income Taxes	0		
NON CURRENT SWAP LIABILITY	1,992,030		
ASSET RETIREMENT OBILIGATION	282,886		
PAYABLES TO RELATED TAX-EXEMPT ORGS	3,681,105		
Total. (Column (b) should equal Form 990, Part X, col (B) line 25 ) ▶	5,956,021		

Par	t XI Reconciliation of Change in Net Assets from Form 990 to Financial Statement	ts	
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 pe	er Ret	urn
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		
а	Net unrealized gains on investments		
b	Donated services and use of facilities		
c	Recoveries of prior year grants		
d	Other (Describe in Part XIV)		
e	Add lines <b>2a</b> through <b>2d</b>	2e	
3	Subtract line <b>2e</b> from line <b>1</b>	3	
4	A mounts included on Form 990, Part VIII, line 12, but not on line 1		
а	Investment expenses not included on Form 990, Part VIII, line 7b . 4a		
b	Other (Describe in Part XIV)		
c	Add lines <b>4a</b> and <b>4b</b>	4c	
5	Total Revenue Add lines <b>3</b> and <b>4c.</b> (This should equal Form 990, Part I, line 12)	5	
	Reconciliation of Expenses per Audited Financial Statements With Expenses	per R	eturn
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		
_ а	Donated services and use of facilities		
b	Prior year adjustments		
c	Other losses		
d	Other (Describe in Part XIV) 2d		
e	Add lines 2a through 2d	2e	
3	Subtract line <b>2e</b> from line <b>1</b>	3	-
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
а	Investment expenses not included on Form 990, Part VIII, line 7b 4a		
b	Other (Describe in Part XIV) 4b		
c	Add lines <b>4a</b> and <b>4b</b>	4c	
5	Total expenses Add lines <b>3</b> and <b>4c.</b> (This should equal Form 990, Part I, line 18)	5	
Par	t XIV Supplemental Information		
	plete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Pai $V$ , line 4, Part $X$ , Part $X$ I, line 8, Part $X$ II, lines 2d and 4b, and Part $X$ III, lines 2d and 4b. Also complete the		

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

## OMB No 1545-0047

Open to Public **Inspection** 

### **SCHEDULE H** (Form 990)

Department of the Treasury Internal Revenue Service

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

**Hospitals** 

Name of the organization St Mary's Regional Health Center **Employer identification number** 

Ρa	rt Charity Care and	Certain O	ther Comr	nunity Benefits at		1620386				
	charley care and	Joi tuili O		y Delicines di				Yes	No	
1a	Did the organization have a c	harity care po	olicy? If "No,	" skıp to questıon 6a			1a	Yes		
b	If "Yes," is it a written policy	·					1b	Yes		
2	If the organization had multip care policy to the various hos		ındıcate whic	h of the following best	describes application o	of the charity				
	A pplied uniformly to all ho Generally tailored to indiv	-	ls	Applied uniformly	to most hospitals					
3	Answer the following based or			y criteria that applies	to the largest number o	f the				
а	Did the organization use Fede If "Yes," indicate which of the					are?	3a		No	
	Г 100% Г 150%		о% Г	Other	<u> </u>		эа		NO	
b	Did the organization use FPG		= :	providing <i>discounted</i> o						
	"Yes," indicate which of the fo	ollowing is the	e family incor	ne limit for eligibility fo	r discounted care .		3b		Νo	
	□ 200%  □ 250%	Г 30	о% Г	350% <b>Г</b> 40	0% <b>Г</b> Other_	%				
c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.										
4	Did the organization's policy	provide free o	r discounted	care to the "medically	ındıgent"?		4	Yes		
5a	Did the organization budget a the tax year?			ted care provided unde	er its financial assistar	ice policy during	5a	Yes		
b	If "Yes," did the organization'	's charity care	e expenses e	xceed the budgeted ar	mount?		5b		Νο	
С	If "Yes" to line 5b, as a resulcare to a patient who was elig						5c			
6a	Did the organization prepare a	a community	benefit repor	tduring the tax year?			6a	Yes		
6b	If "Yes," did the organization	make it avail	able to the p	ublic?			6b	Yes		
	Complete the following table worksheets with the Schedule		ksheets prov	ided in the Schedule H	instructions Do not s	ubmit these				
7	Charity Care and Certain O	ther Commur	nity 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 b expense	enefit	(f) Pero total ex		
а	Charity care at cost (from Worksheet 1)		72	667,511	0	66	7,511	0	890 %	
	Medicaid (from Worksheet 3, column a)		0	16,390,040	13,695,639	2,69	4,401	3	580 %	
	Costs of other means-tested government programs (from Worksheet 3, column b)		0	0	0		0		0 %	
d	<b>Total</b> Charity Care and Means-Tested Government Programs		72	17,057,551	13,695,639	3,36	1,912	4	470 %	
e	Other Benefits Community health improvement services and community benefit operations (from									
f	(Worksheet 4) Health professions education	11	5,980	147,023	0	14	7,023	0	200 %	
	(from Worksheet 5) Subsidized health services	3		12,416	0	1	2,416	0	020 %	
_	(from Worksheet 6) Research (from Worksheet 7)		0	0	0		0		0 %	
	Cash and in-kind contributions for community benefit (from Worksheet 8)	3	400	23,082	0	2	3,082	0	030 %	
j 1	Total Other Benefits	17	6,383	182,521	0		2,521		250 %	
k '	Total Add lines 7d and 7i	17	6 455	17 240 072	13 695 639	3 54	4 433	1	720 %	

Pa	community Building	ng Activitie	<b>s</b> Complete t	his table if the org	ganızatı	on co	nducte	d any commun	iity b	uıldın	g
	det.v.t.es.	(a) Number of activities or programs (optional)	<b>(b)</b> Persons served (optional)	(c) Total community building expense		rect offs revenue	-	(e) Net communit building expense		<b>(f)</b> Perc total ex	
1	Physical improvements and housing		0	0			0		0		0 %
2	Economic development		0	0			0		0		0 %
3	Community support	1	1,245	2,437			0	2,	437		0 %
4	Environmental improvements		0	0			0		0		0 %
5	Leadership development and training										
6	for community members  Coalition building		0	0			0		0		0 %
7	Community health improvement			<u> </u>							,
	Workforce development	1 2	1,145	3,846 1,155			0	•	846	0	010 %
9	Other		1,145	1,155			0	1,	155 0		0 %
10	Total	4	2,390	7,438			0	7,	438	0	010 %
Par	tiii Bad Debt, Medicar	e, & Collec	tion Practice	es							
Sect	ion A. Bad Debt Expense									Yes	No
1	Did the organization report ba		e ın accordance	with Heathcare Fina	ancial M	anage	ment As	sociation	_		
2	Statement No 15? Enter the amount of the organi					2	 	4 16 0 6 7 0	1	Yes	
3	Enter the estimated amount of		•					4,160,679			
	patients eligible under the org	anızatıon's cha	arıty care policy	,		3		38,047			
4	Provide in Part VI the text of t In addition, describe the costi rationale for including a portio	ng methodolog	gy used in deter	mining the amounts							
Sect	ion B. Medicare										
5	Enter total revenue received f	rom Medicare	(ıncludıng DSH	and IME)		5		12,479,216			
6	Enter Medicare allowable cost	s of care relat	ing to payments	s on line 5		6		14,118,536			
7	Subtract line 6 from line 5 Th	•				7		-1,639,320			
8	Describe in Part VI the extent Also describe in Part VI the c Check the box that describes	ostıng method	ology or source	used to determine t	:he amou						
	Cost accounting system	Гс₀	st to charge rat	tio	Other						
Sect	ion C. Collection Practices										
9a	Did the organization have a wr			-		-	•		9a	Yes	
ь	If "Yes," did the organization's contain provisions on the colle assistance? Describe in Part \	ection practice	s to be followed	d for patients who are	e known	to qua	lify for f	inancial	9b	Yes	
Pai	rt IV Management Com										
	(a) Name of entity	(E	<ul> <li>Description of pr activity of entity</li> </ul>		c) Organiz profit % oi ownershi	r stock	en	Officers, directors, trustees, or key aployees' profit % stock ownership%	pro	e) Physion fit % or wnershi	stock
1											
2											
3							+				
4											
5											
6		1									
7											
8											
9											
10											
11											
12									+		
13									+		

Part	V Facility Information									
	on A. Hospital Facilities	Licen	Gener	Children's	Teach	Ortica	Resea	ER-24	ER-other	
(list in	order of size from largest to smallest)	Licensed hospital	General medical &	en's ho	Teaching hospital	al acces	Research facility	ER-24 hours	her	
	nany hospital facilities did the organization operate during x year? <b>1</b>	pital	cal & surgical	. hospital	pital	Critical access hospital	lity			
Name	and address									
Name	anu auuress									Other (Describe)
1	ESSENTIA HEALTH STMARY'S-DETROIT LAKES 1027 Washington Ave Detroit Lakes, MN 56501	×	х					х		
		-				<u> </u>				
						<del> </del>				
						1				
						<u> </u>				
		+				<u> </u>				
		1				<u> </u>				
		<u> </u>				<u> </u>				

## 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)

#### ESSENTIA HEALTH STMARY'S-DETROIT LAKES

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

				No
Coı	mmunity 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>b</b> Demographics of the community			
	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			
	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			
	<b>h</b> The process for consulting with persons representing the community's interests			
	${f i}$ ${f \Gamma}$ Information gaps that limit the hospital facility's ability to assess the community's health needs			
	j Cher (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>b</b> A vailable upon request from the hospital facility			
	c 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>b</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 Cother (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		
Fin	ancial Assistance Policy			
0	Did the hospital facility have in place during the tax year a written financial assistance policy that	_		
	Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	N a
3	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9		No
	If "Yes," indicate the FPG family income limit for eligibility for free care% If "No," explain in Part VI the criteria the hospital facility used			

P	art V Facility Information (continued)			
			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10		No
	If "Yes," indicate the FPG family income limit for eligibility for discounted care% 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>b</b> 🔽 Asset level			
	c 🔽 Medical indigency			
	d 🔽 Insurance status			
	e 🔽 Uninsured discount			
	f 🔽 Medicaid/Medicare			
	g 🔽 State regulation			
	h C 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>b</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			
Bil	ling 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 F Body attachments or arrests			
	e C 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			
	Reporting to credit agency			
	b Lawsuits			
	c Liens on residences			
	d Body attachments			
4-	e Cother 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>b</b> Notified patients of the financial assistance policy prior to discharge			
	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 C Other (describe in Part VI)			

If "Yes," explain in Part VI

provided to that patient?

. . . . . . . . . . . . . . . . . . . .

20

21

Νo

Νo

### Part V Facility Information (continued) Policy Relating to Emergency Medical Care Yes 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 **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 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 FAPeligible individuals for emergency or other medically necessary care 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? . . . . . . . . . . . .

21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services

If "Yes," explain in Part VI Schedule H (Form 990) 2011

### Part V Facility Information (continued)

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

Hov	many non-hospital facilities did the organization opera	ite during the tax year?10
Nan	ne and address	Type of Facility (Describe)
1	ESSENTIA HEALTH STMARY'S DETROIT LAKES	CLINIC
	CLINIC 1027 Washington Ave	
	DETROIT LAKES, MN 56501	
2	ESSENTIA Health STMARY'S-Frazee Clinic	CLINIC
	114 W MAIN STREET	
	FRAZEE,MN 56544	
3	ESSENTIA Health STMARY'S-Lake Park	CLINIC
	CLINIC 1005 1st Street	
	LAKE PARK, MN 56554	
4	ESSENTIA Health STMARY'S-Mahnomen	CLINIC
	CLINIC 117 N MAIN STREET	
	MAHNOMEN, MN 56557	
5	ESSENTIA HEALTH Winchester	SENIOR LIVING
	1051 WASHINGTON AVE	
	DETROIT LAKES, MN 56501	
5	ESSENTIA HEALTH OAK CROSSING	NURSING HOME
	1040 LINCOLN AVE	
_	DETROIT LAKES, MN 56501	
/	ESSENTIA HEALTH Lincoln Park	ASSISTED LIVING & SENIOR LIVING
	208 OAK STREET	
_	DETROIT LAKES, MN 56501	UOME HEALTH
8	ESSENTIA Health STMARY'S-DETROIT LAKES	HOME HEALTH
	HOME HEALTH 114 FRAZEE STREET E	
_	DETROIT LAKESM, MN 56501	LIOME HEALTH
7	ESSENTIA Health STMARY'S-LAKE PARK HOME HEALTH 1005 1ST STREET	HOME HEALTH
	LAKE PARK, MN 56554	
10	Essentia Health St Mary's-Pelican Rapid	Clinic
LU	301 North Broadway	Ciliic
	Pelican Rapids MN 56572	

Schedule H (Form 990) 2011 Page **8** 

### Part VI Supplemental Information

Complete this part to provide the following information

Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part III, 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
- 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
- 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.)
- 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,6ı,7,11h,13g,15e,16e,18c,18d,19d,20,21 Part I,
		Line 3c Essentia Health St Mary's Detroit Lakes uses an income and asset test in conjunction with one another to
		determine a patient's eligibility under the financial assistance policy For every \$2,000 a household is over the federal poverty
		guid elines, the patient receives a point Then, for every \$2,500
		of assets the patient has (ex cluding equity in their home), the patient receives a point. The two point totals are summ ed and
		there is a sliding scale which determines the patient's discount
		A sum of 0 points results in free care Discounted care ends when a patient exceeds 21 points. Two other discounts are
		offered to self-pay patients The first is a prompt pay discount available to all self-pay portions if paid in full within 30 days of
		being billed as a self pay The s econd is the Attorney General
		discount available to self-pay patients whose household inco me is below \$125,000 Part I, line 6a Essentia Health St
		Mary's Detroit Lake's community benefit information is consolidated into the Essentia Health community benefit
		Information which is included in the Essentia Health annual
		report The annual report is made available to the public via the website at www essentiahealth org Essentia Health,
		headquartered in Duluth, Minn , is an integrated health system serving patients in Minnesota, Wisconsin , North Dakota and
		Idaho and is Essentia Health St Mary's Detroit Lake's parent
		corporati on Part 1, line 7g Not Applicable Part I, line 7, column (f) Bad debt expense that was s ubtracted from total
		expense to obtain the % of community benefit to total expense
		amounte d to \$4,160,679 Part I, line 7 The cost to charge ratio derived from Worksheet 2, Ratio o f Patient Care Cost-to-
		Charges was used to calculate the costs for the following community benefits Charity Care and Unreimbursed Medicaid
		A ctual costs were used for the remainde r of the community
		benefits reported Part II - Describe how the organization's community building activities, as reported in Part II, promote
		the health of the communities the org anization serves Essentia Health St Mary's Detroit Lakes (EHSMDL) Lactation
		Program - Th e Lactation Program includes education for MDs
		and nurses from both medical systems in our community, inpatient and outpatient lactation support, development of
		policies and protoc ols that support early initiation of breastfeeding, development of lactation friendly spac es
		throughout the EHSMDL facilities to serve patients, employees,
		and community visitors We are offering prenatal lactation classes to the public An employee of Essentia Health S t
		Mary's Detroit Lakes is on the board of directors for the Minnesota Home Care Association This organization
		represents the interests of home care agencies in the
		legislative ar ena, provides education to home care agencies so that they can uphold the highest standard s of care, and spreads
		the word about home care to the public Their goal is to ensure that every Minnesotan in need of care who wants to stay at
		home has access to quality care-at home 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 ba lance on the account, less any previous payments and discounts, that has aged and is
		absen t of any payments If, during the collection process, it becomes known that the patient qu alifies for charity care, the
		amounts included within bad debt expense would be reclassified
		to charity care Part III, Line 4 Essentia Health St Mary's Detroit Lakes is in the pr ocess of hiring a 3rd party to track bad
		debt accounts in order to presumptively quantify accounts within bad debt expense that would have qualified for financial
		assistance under the Essentia Health St Mary's Detroit Lakes
		financial assistance policy had the proper do cumentation been completed and filed. As that tracking was not in place during the
		fiscal year, Essentia Health St Mary's Detroit Lakes applied a high-level, conservative analytic review by taking the ratio of
		charitable allowances to gross patient revenue and multiply ing
		with bad debt expense to arrive at an approximation of charity care that resides in ba d debt Part III, Line 4 Essentia Health
		St Mary's Detroit Lakes is a part of a larger or ganization, Essentia Health Essentia Health and its member organizations
		incorporate the cost of bad debt as a community benefit As a
		tax exempt hospital, we must provide the nec essary services regardless of the patient's ability to pay for that care. In doing
		so, Ess entia Health makes quality patient care available to all in our community, regardless of t heir economic means Part III,
		line 4 (Excerpt from the parent company's audit) Accounts r
]	I	eceivable are stated at net realizable value. The  Schedule H (Form 990) 2011

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 1		allowance for uncollectible accounts is based upon
		management's ongoing assessment of hist orical and expected
		net collections for each major payor source considering
		historical bus iness and economic conditions, trends in
		healthcare coverage, and other collection indicat ors 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 historic al experience,
		which indicates that many patients are unable or unwilling to
		pay the porti on of their bill for which they are financially
		responsible Part III, line 8 The costing methodology used in
		determining the Medicare Allowable Cost reported in the
		organization's Medicare Cost Report is to take total Medicare
		costs from the general ledger system and t hen follow the instructions provided by Centers for Medicare Services (CMS)
		to back off all costs not allowable From the Medicare allowable
		costs, any costs attributable to subsidized health services and
		costs attributable to GME were subtracted, if applicable Part II
		I, line 8 Essentia Health St Mary's Detroit Lakes is a part of a
		larger organization, Ess entia Health Essentia Health and its
		member organizations incorporate the full value of t he
		Medicare shortfall as a community benefit. The rationale for the
		organization's opinion is providing care for the elderly and
ı		serving Medicare patients is an essential part of t he
		community benefit standard Medicare, like Medicaid, does not
		pay the full cost of care and it is likely to get worse Many
		Medicare beneficiaries are poor and are eligible for Medicaid in
		addition to Medicare Medicare underpayment must be
		shouldered by the hospital in order to continue treating the
		community's elderly and poor These underpayments represent
		a real cost of serving the community Part III, line 8 Each
		Essentia Health hospital is required to file a Medicare cost
		report 5 months after the close of their fiscal year. The cost
		report provides Medicare with information that is used to determine utilization a nd spending trends but also is used to
		set future payment rates for most Medicare services
		interim payments paid to a hospital are higher or lower than the
		filed cost report allowable reimbursement there will be a
		settlement for that fiscal year. This can be due to changes in
		utilization or cost of providing services for Critical Access
		Hospitals (CA H) or differences between interim and final
		payment factors for Disproportionate Share, Ba d Debts, or
		Indirect Medical Education for non-CAH hospitals An estimate
		for these settle ments is recorded at the close of the fiscal
		year If the estimate varies from the final s ettlement received
1		6-7 months after the fiscal year ends then these amounts are
		recorded a s prior year Medicare revenue Part III, line 9b At
		any stage of the patient experience, i ncluding collections, a
		determination may be made that the patient qualifies for
		Financial Assistance All collection efforts must be suspended
		while a patient's Financial Assistan ce application is being
		considered and until the patient is notified regarding the
		determination of eligibility Once eligibility (or lack of
		eligibility) is determined, amounts still owed by patients will be
		collected in the same manner as all other patient bills

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 1 cont		Part V, Line 9 Essentia Health St Mary's Detroit Lakes uses an income and asset test in conjunction with one another to determine a patient's eligibility under the financial assistance policy For every \$2,000 a household is over the federal poverty guidelines, the patient receives a point Then, for every \$2,500 of assets the patient has (excluding equity in their home), the patient receives a point The two point totals are summed and there is a sliding scale which determines the patient's discount A sum of 0 points results in free care Discounted care ends when a patient exceeds 21 points Two other discounts are offered to self-pay patients. The first is a prompt pay discount available to all self-pay portions if paid in full within 30 days of being billed as a self pay. The second is the Attorney General discount available to self-pay patients whose household income is below \$125,000. Part V, Line 10 Essentia Health St. Mary's Detroit Lakes uses an income and asset test in conjunction with one another to determine a patient's eligibility under the financial assistance policy. For every \$2,000 a household is over the federal poverty guidelines, the patient receives a point. Then, for every \$2,500 of assets the patient has (excluding equity in their home), the patient receives a point. The two point totals are summed and there is a sliding scale which determines the patient's discount. A sum of 0 points results in free care. Discounted care ends when a patient exceeds 21 points. Two other discounts are offered to self-pay patients. The first is a prompt pay discount available to all self-pay portions if paid in full within 30 days of being billed as a self pay. The second is the Attorney General discount available to self-pay patients whose household income is below \$125,000. 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 18d not applicable Part V, line 19d For patients known to qualify f
<u></u>	l	line 20 not applicable Part V , line 21 not applicable

Schedule H (Form 990) 2011 Page **8** 

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 Mary's Detroit Lakes assesses community needs through a variety of methods One way is through an outside patient satisfaction vendor, PRC Comments made through these telephone surveys will occasionally indicate an unmet community health need Additionally, we encounter feedback from the patients we serve through the normal course of business that informs us of the need for new services or unmet community health needs. We also hold focus groups with community members to assess the care they (or a family member) received while in our facility. From the comments received, we develop action plans to address their concerns. We have a very active community relations committee whose purpose is to develop educational programs for our community members. In FY 12, we hosted 11 community programs with a total of 351 people attending. We routinely survey those in attendance to learn what other health care issues they are interested in learning about. From those comments, we plan our following year of educational opportunities. In addition, we had 16 speaker's bureau programs.

Schedule H (Form 990) 2011

Schedule H (Form 990) 2011 Page **8** 

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 Mary's Detroit Lakes has Financial Counselors who are available to patients with questions regarding payment of their medical bills. All staff have been trained to refer patients to the Financial Counselors and we have literature throughout the hospital and medical office buildings in regards to our Community Benefit Programs Financial Counselors educate patients on different options of government programs, charity care, as well as referrals to public health for additional services that St Mary's Regional Health Center may not be able to provide

Schedule H (Form 990) 2011

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. Mary's Detroit Lakes is located in Detroit Lakes, MN. Essentia Health St. Mary's Detroit Lakes is a part of the larger Essentia Health St. Mary's Detroit Lakes is a part of the larger Essentia Health St. Mary's Detroit Lakes operates 1 hospital, 5 clinics, 2 senior living buildings, 2 home health facilities and a nursing home that serves the communities of Detroit Lakes, Lake Park, Mahnomen, Frazee and Pelican Rapids. The overall community is classified as Rural. Essentia Health St. Mary's Detroit Lakes and its related facilities cover a service region of approximately 34,000 people. The service region age distribution is 24.2% under the age of 18,57.9% between the ages of 18 and 65, and 17.9% over the age of 65. The racial makeup of the service region is 85.3%. Caucasian, 0.6%. Black or African American, 10.0%. American Indian or Alaskan Native, 0.4%. Asian, 3.2% two or more races, and 0.5% other. The gender split ratio is 50.0% women and 50.0% men. The average income for the service area is approximately \$54,000. Approximately 7.0% of the population falls below the federal poverty guidelines. Essentia Health St. Mary's Detroit Lakes, along with Essentia Health is committed to serve patients regardless of their ability to pay. 13.6% net revenue dollars were from self pay patients. In addition, approximately 17.3% of their net revenue dollars were Medicaid recipients. As mentioned above, Essentia Health St. Mary's Detroit Lakes 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 i
		Schedule H (Form 990) 2011

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 Mary's Detroit Lakes 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 live-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 informat
	of health care delivery, particularly in rural areas, in the years to come

Schedule H (Form 990) 2011 Page **8** 

Identifier	ReturnReference	Explanation
Part VI, Line 7		Essentia Health St Mary's Detroit Lakes files a community benefit report in Minnesota

Schedule H (Form 990) 2011

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Part I General Information on Grants and Assistance

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

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

DLN: 93493120008133

Open to Public
Inspection

Schedule I (Form 990) 2011

Department of the Treasury Internal Revenue Service Name of the organization

Schedule I

(Form 990)

St Mary's Regional Health Center

Employer identification number 41-1620386

Form 990, Part I	V, line 21 for any	o Governments and recipient that received 90) if additional space	d more than \$5,000.	Check this box if n	o one recipient rece	ived more than \$5,0	00. Use
(a) Name and address of organization or government	<b>(b)</b> EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) A mount 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) United Way of Becker County803 Roosevelt Ave Detroit Lakes, MN 56501	23-7225418	501(c)(3)	8,000				Program Support
(2) Essentia Health Foundation502 E 2nd St Duluth, MN 55805	27-1984704	501(c)(3)	185,268				Program Support

Cat No 50055P

Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or a	assistance	recipients	(c)A mount of cash grant	(d)A mount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
Part IV Suppleme	ental Informa	<b>ition.</b> Complete this	part to provide the info	rmation required in Par	t I, line 2, and any other a	additional information.
Identifier	Return Referen	ice Ex	planation			
Schedule I, Part I, Line 2					ealth St Mary's-Detroit Lake request and approving the ex	s management reviews the grant pense

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DLN: 93493120008133

OMB No 1545-0047

**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.

Open to Public Inspection

Name	of	the	org	ja niza	ition	
St Mary	's F	Regio	nal	Health	Center	

**Employer identification number** 

41-1620386

Pa	rt I Questions Regarding Compensation	n					
					Yes	Νo	
1a	Check the appropriate box(es) if the organization pro 990, Part VII, Section A, line 1a Complete Part III						
	First-class or charter travel	Γ	Housing allowance or residence for personal use				
	Travel for companions	Г	Payments for business use of personal residence				
	Tax idemnification and gross-up payments	Γ	Health or social club dues or initiation fees				
	Discretionary spending account	Γ	Personal services (e g , maid, chauffeur, chef)				
b	If any of the boxes in line 1a are checked, did the or reimbursement orprovision of all the expenses desc			1b			
2	Did the organization require substantiation prior to						
	officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?						
3	Indicate which, if any, of the following the organizationganization's CEO/Executive Director Check all the						
	Compensation committee	<u> </u>	' '				
	✓ Independent compensation consultant	굣	Compensation survey or study				
	Form 990 of other organizations	굣	Approval by the board or compensation committee				
4	During the year, did any person listed in Form 990, or a related organization	Part VII	, Section A, line 1a with respect to the filing organization				
а	Receive a severance payment or change-of-control payment?						
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?						
С	c Participate in, or receive payment from, an equity-based compensation arrangement?						
	If "Yes" to any of lines 4a-c, list the persons and pr	ovide th	e applicable amounts for each item in Part III				
	Only 501(c)(3) and 501(c)(4) organizations only mu	ıst comp	olete lines 5-9.				
5	For persons listed in form 990, Part VII, Section A, compensation contingent on the revenues of	lıne 1a,	did the organization pay or accrue any				
а	The organization?			5a		Νo	
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, compensation contingent on the net earnings of	lıne 1a,	did the organization pay or accrue any				
а	The organization?			6a		Νo	
b	Any related organization?			6b		Νo	
	If "Yes," to line 6a or 6b, describe in Part III						
7	For persons listed in Form 990, Part VII, Section A payments not described in lines 5 and 6? If "Yes," of			7		No	
8	Were any amounts reported in Form 990, Part VII,						
	subject to the initial contract exception described in Part III	n Regs s	section 53 4958-4(a)(3)? If "Yes," describe	_			
				8		No	
9	If "Yes" to line 8, did the organization also follow the section 53 4958-6(c)?	e rebutta	able presumption procedure described in Regulations	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-MI	SC compensation	(C) Retirement and	( <b>D)</b> Nontaxable	(E) Total of columns	(F) Compensation	
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation	other deferred compensation	benefits	(B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ	
(1) Jean Evans	(ı) (ıı)	158,204 0	0	0	7,511 0	879 0	166,594 0	0 0	
(2) A bigail Ring MD	(ı) (ıı)	0 249,519	0 1,284	0 138	0 22,678	0 18,607	0 292,226	0	
(3) Thomas Thompson	(ı) (ıı)	0 196,300	0 0	0 547,250	0 41,749	0 6,060	0 791,359	0 1,415	
(4) Ryan Hill	(ı) (ıı)	167,960 34,362	18,000 0	0 0	11,672 0	17,746 0	215,378 34,362	0 0	
(5) James Christensen MD	(ı) (ıı)	0 319,943	0 4,060	0 138	0 22,678	0 16,033	0 362,852	0	
(6) Bradley Refsland MD	(ı) (ıı)	0 112,219	0 0	0 1,209	0 5,264	0 15,439	0 134,131	0	
(7) Mark Lindquist MD	(ı) (ıı)	166,018 0	0	0	10,045 0	12,340	188,403	0	
(8) Carl Kaster MD	(ı) (ıı)	168,691 0	0	0	10,114	675 0	179,480 0	0	
(9) Christy Brinkmann	(ı) (ıı)	147,817 0	0	0	9,183 0	6,063	163,063	0	
(10) RICHARD MARTIN MD	(ı) (ıı)	164,836 0	0	0	10,081	8,922 0	183,839	0	
(11) Peter Jacobson	(ı) (ıı)	0 219,110	0 46,933	0 2,565	0 46,538	0 30,031	0 345,177	0	
(12) Richard Vetter MD	(ı) (ıı)	0 414,654	0 27,982	0 90	0 22,678	0 25,200	0 490,604	0	
(13) Robert Koshnick MD	(ı) (ıı)	0 176,898	0 1,643	0 229	0 16,397	0 19,243	0 214,410	0	
(14) Diana Johnson	(ı) (ıı)	134,626 0	0	0	8,062 0	11,201 0	153,889 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		Methods used to establish President's compensation Essentia Health St Mary's-Detroit Lakes relied on Essentia Health West, supporting organization of Essentia Health St Mary's-Detroit Lakes 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 4a		Severance payment Former officer, Thomas Thompson, received payment totaling \$101,974 in tax year 2011 related to his termination. The termination term is from July 1, 2011 to June 21, 2013 Mr. Thompson will receive pay totaling \$539,308 & benefits totaling \$24,160 related to his termination. All individuals listed as Formers in Form 990, Part VII, Section A, Line 1a remain employed within Essentia Health and its subsidiaries and are not receiving a termination payment.
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 individuals listed in Form 990, Part VII, Section A, Line 1a received payment from a supplemental nonqualified retirement plan during the year THOMAS THOMPSON (Critical Access Group) \$1,415 Peter Jacobson (Essentia Health West) \$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. Essentia Health West's nonqualified retirement plan is offered to designated Essentia Health West's executives. There is a minimum two year vesting date, benefits are subject to income taxes upon vesting. and benefits are payable from Essentia Health West's general assets.

Schedule J (Form 990) 2011

**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.

Department of the Treasury Internal Revenue Service

Schedule K

(Form 990)

Employer identification number

DLN: 93493120008133 OMB No 1545-0047

Open to Public

**Inspection** 

41-1620386

Name of the organization St Mary's Regional Health Center

**Bond Issues** (h) On (i) Pool (g) Defeased Behalf of financing (a) Issuer Name (b) Issuer EIN (c) CUSIP # (d) Date Issued (e) Issue Price (f) Description of Purpose Issuer Yes No Yes Yes No Cass County North Dakota Series 2008 A Reoffered (See 45-6002205 148047AU7 02-25-2010 59,573,111 Χ Х Χ Sch O WI Health and Education Series 2008 B Reoffered (See Χ Facilities Authority 39-1337855 97710BSD5 02-25-2010 12,854,722 Χ Χ Sch O MN Agricultural and Economic Series 2008 C Reoffered (See 41-6007162 С Development Board 6049202HD 02-25-2010 165,717,405 Χ Х Χ MN Agricultural and Economic Series 2010 Bonds (See Sch Development Board 41-6007162 6049202M9 06-25-2010 109,535,000 Χ Χ Χ

Pa	TIII Proceeds		•					·	•	
			Α		В		С	D		
1	A mount of bonds retired		0		0		454,823		1,313,555	
2	A mount of bonds defeased		0		0		0		0	
3	Total proceeds of issue		4,438,197		957,677		12,345,946		25,331,034	
4	Gross proceeds in reserve funds		0		0		0		0	
5	Capitalized interest from proceeds		0		0		0	С		
6	Proceeds in refunding escrow		0	0		0				
7	Issuance costs from proceeds		0		0		141,497		105,939	
8	Credit enhancement from proceeds		0	0		0		0		
9	Working capital expenditures from proceeds		0	0		0		0		
10	Capital expenditures from proceeds		0	0		0		13,132,000		
11	Other spent proceeds		4,438,197	957,677		12,204,449		12,093,095		
12	O ther unspent proceeds		0		0		0		0	
13	Year of substantial completion	20	2010		10	20	10	20	11	
		Yes	No	Yes	No	Yes	No	Yes	No	
14	Were the bonds issued as part of a current refunding issue?	Х		Х		Х		Х		
15	Were the bonds issued as part of an advance refunding issue?		Х		Х		Х		Х	

allocation of proceeds? **Private Business Use** 

16

Has the final allocation of proceeds been made?

			Α		В		С		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?		Х		Х		Х		Х
2	Are there any lease arrangements that may result in private business use of bond- financed property?		×		×		×		х

Х

Х

Does the organization maintain adequate books and records to support the final

Х

Χ

Х

Х

Х

Х

	edule K (Form 990) 2011									Page <b>2</b>	
Par	Private Business Use (Continued)			<u> </u>	В	Т		С	1	D	
			Yes	No	Yes	No	Yes	No	Yes	No	
3a	Are there any management or service contracts that may result in private use?	business		х		Х		×		×	
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or counsel to review any management or service contracts relating to the final property?										
С	Are there any research agreements that may result in private business us financed property?	e of bond-		х		×		х		х	
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or counsel to review any research agreements relating to the financed proper										
4	Enter the percentage of financed property used in a private business use bother than a section 501(c)(3) organization or a state or local government		•	0 % 0 %				⁄o	0 %		
5	Enter the percentage of financed property used in a private business use a unrelated trade or business activity carried on by your organization, anoth 501(c)(3) organization, or a state or local government			0 %		0 %		0 %	/o	0 %	
6	Total of lines 4 and 5			0 %		0 %		0 %		0 %	
7	Has the organization adopted management practices and procedures to er post-issuance compliance of its tax-exempt bond liabilities?	sure the	Х		Х		Х		Х		
Pai	rt IV Arbitrage	_		•							
		Α			В		С		D		
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?	Yes	No X	Yes	X	Ye	s	X	Yes	No X	
2	Is the bond issue a variable rate issue?		X		X			Х	X		
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		Х		x			X		Х	
		+		+-							

# Name of provider Term of hedge Was the hedge superintegrated? Was a hedge terminated? Were gross proceeds invested in a GIC? 4a Χ Χ Χ Name of provider b Term of GIC C Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied? Were any gross proceeds invested beyond an available temporary 5 period? Χ Χ Χ Did the bond issue qualify for an exception to rebate?

#### Part V Procedures To Undertake Corrective Action

Χ

Χ

#### 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	0	
)		

Χ

Χ

Schedule K (Form 990)

**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

DLN: 93493120008133

2011

Open to Public Inspection

Internal Revenue Service
Name of the organization

Department of the Treasury

St Mary's Regional Health Center

Employer identification number

St M	lary's Regional Health Center	41-1620386												
Pa	art I Bond Issues													
	(a) Issuer Name	(b) Issuer EIN	<b>(c)</b> CUSIP #	(d) Date Issued	<b>(e)</b> Issue Pr	тсе	<b>(f)</b> Description	scription of Purpose (g) D		(g) Defeased Beha		ulf of financing		
									Yes	No	Yes	No	Yes	No
A	MN Agricultural and Economic Development Board	41-6007162	6049202P2	03-29-2011	25,491,	,071 Se	eries 2011 (See	e Sch O)		х		x		х
Pa	rt III Proceeds					·								
					Α			В		С			D	
1	A mount of bonds retired						0							
2	A mount of bonds defeased						0							
3	Total proceeds of issue				1	2,102,8	26							
4	Gross proceeds in reserve fur	nds				0								
5	Capitalized interest from proceeds						0							
6	Proceeds in refunding escrow						0							
7	Issuance costs from proceeds					169,3	14							
8	Credit enhancement from prod	ceeds					0							
9	Working capital expenditures	from proceeds			0									
10	Capital expenditures from pro	ceeds			11,106,776									
11	Other spent proceeds						0							
12	Other unspent proceeds					826,7	36							
13	Year of substantial completion	n				•								
					Yes	No	Yes	No	Yes		No	Yes		No
14	Were the bonds issued as par	t of a current refund	ling issue?			Х								
15	5 Were the bonds issued as part of an advance refunding issue?					Х								
16	6 Has the final allocation of proceeds been made?					Х								
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?				х									
Pa	t IIII Private Business L	Jse												
				A			В		С			D		
					Yes	No	Yes	No	Yes		No	Yes	_	No

property financed by tax-exempt bonds?

financed property?

Was the organization a partner in a partnership, or a member of an LLC, which owned

Are there any lease arrangements that may result in private business use of bond-

Χ

	A B		В	c			D			
			Yes	No	Yes	No	Yes	No	Yes	No
За	Are there any management or service contracts that may result in private use?	business		X						
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or counsel to review any management or service contracts relating to the fin property?									
С	Are there any research agreements that may result in private business us financed property?	se of bond-		х						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or counsel to review any research agreements relating to the financed prope									
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 %						
5	Enter the percentage of financed property used in a private business use unrelated trade or business activity carried on by your organization, anoth 501(c)(3) organization, or a state or local government									
6	Total of lines 4 and 5									
7	Has the organization adopted management practices and procedures to e post-issuance compliance of its tax-exempt bond liabilities?	nsure the	Х							
Pai	rt IV Arbitrage			T .						
		A Yes		V	B		C	NI-	D V	NI-
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and	Yes	No	Yes	No	<u> </u>	es	No	Yes	No
-	Penalty in Lieu of Arbitrage Rebate, been filed with respect to the									
	bond issue?		X							
	Is the bond issue a variable rate issue?		X							
 За	Has the organization or the governmental issuer entered									
	into a hedge with respect to the bond issue?		×							
b	Name of provider	0								
С	Term of hedge									
d	Was the hedge superintegrated?									
е	Was a hedge terminated?									
 4a	Were gross proceeds invested in a GIC?		X							
b	Name of provider	0								
	Term of GIC									
<u>c</u>	Was the regulatory safe harbor for establishing the fair market									
d	value of the GIC satisfied?									
5	Were any gross proceeds invested beyond an available temporary period?		х							
6	Did the bond issue qualify for an exception to rebate?		Х							
P	Check the box if the organization established written procedures closing agreement program if self-remediation is not available un									

# 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	0	
)		

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As Filed Data -

DLN: 93493120008133

OMB No 1545-0047

2011

# Schedule L

(Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

# **Transactions with Interested Persons**

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

Open to Public **Inspection** 

	f the organization Regional Health Center		Employer identification number										
								4	1-16203	86			
Part I													
	Complete if the organizat	ion ans	wered "	Yes" on Forr	m 990, F	Part IV, line 25a c	or 25b,	or Form	990-EZ,	Part V , I	ne 40b		
1	(a) Name of disqu	ualıfıed	person			<b>(b)</b> Desc	ription	of trans	action		Cor	(c) Corrected?	
											Yes	No	
	er the amount of tax impos								ear unde	r - +			
	tion 4958									* * —			
<b>3</b> Ent	er the amount of tax, if any	, on line	e Z, abo	ve, reimburs	sea by th	ie organization .				· » <u> </u>			
Part I	Loans to and/or F	rom	Intere	sted Pers	sons.								
	Complete if the organiz	zation a	nswere	d "Yes" on F	orm 990	), Part IV, line 26	, or For	m 990-l	Z, Part V	, line 38	a		
		(b) ∟	oan to					_	(f)				
(a) Nam	e of interested person and		m the	(c)0 rig	jinal	(4)D-1 4	( <b>e)</b> defau		A ppro-		(g)Writt		
	purpose	organı	zation?	principal a	amount	(d)Balance due	delat	arc.	commit		agreement?		
		То	From	1			Yes	No	Yes	No	Yes	No	
「otal .					<b>▶</b> \$			•					
Part II		ice Be	nefitt	ing Intere	ested I	Persons.			•		•		
	Complete if the orga	nızatıd	on ansv	wered "Yes	" on Fo	rm 990, Part IV	, line	27.					
(	a) Name of interested pers	οn	(			een interested per	son	(c) 4 n	nount of a	rant or tv	pe of assis	stance	
	a) Nume of interested pers			an	d the or	ganızatıon		(6)/////			- pc 01 4331.		

				, La contraction of the contract	
Part IV	Business	<b>Transactions</b>	Involving	Interested	Persons

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

Complete ii the organization	ii alisweleu les oli	ioiiii 990, Pait IV, iii	ie 20a, 20b, 01 20c.		
(a) Name of interested person	(b) Relationship between interested person and the	(c) A mount of transaction	(d) Description of transaction	organiz	arıng of zatıon's nues?
	organization			Yes	No
(1) Rosemary McGuire	Related to Dr Refsland	12,765	Employee of SMRHC		Νo

### Part V Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule L (Form 990 or 990-EZ) 2011

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As Filed Data -

DLN: 93493120008133

OMB No 1545-0047

Open to Public Inspection

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.

Name of the organization St Mary's Regional Health Center **Employer identification number** 

41-1620386

ldentifier	Return Reference	Explanation
FORM 990, PART C		DOING BUSINESS AS ESSENTIA HEALTH ST MARY'S-DETROIT LAKES

ldentifier	Return Reference	Explanation
FORM 990, PART III, LINE 4		PROGRAM SERVICE ACCOMPLISHMENTS St Mary's Regional Health Center is created & organized exclusively for charitable, religious, educational & scientific purposes. St Mary's Regional Health Center is created & organized to own, maintain, operate & conduct, directly or indirectly, & to assist & coordinate activities of facilities for health care, education, care for the aged & 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. St Mary's Regional Health Center employs over 420 full time equivalents. St Mary's Regional Health Center provided over \$667,000 in charity care and over \$2,694,000 in discounts to uninsured patients during the fiscal year ended June 30, 2012. Further community benefits provided during the fiscal year include community services of over \$147,000, education and workforce development of over \$12,000, and cash & in-kind donations of over \$23,000. FORM 990, PART III, LINE 4A St Mary's Regional Health Center's hospital is a modern facility licensed for 87 beds. The hospital features a 12-bed women's unit with four birthing rooms, three operating rooms, 24 hour CRNA services, x-ray, CT, mobile MRI, & lab. The hospital provided for over 6,000 hospital patient days during the fiscal year ended June 30, 2012. St Mary's Regional Health Center's is certified as a Level III Trauma Hospital meeting the high standards of clinical equipment & staff training. St Mary's Regional Health Center provides multi-specialty Clinic services to a wide array of patients in four different communities in Detroit Lakes, MN Clinic services include Primary Care, Obstetrics, Orthopedics, Podiatry, General Surgery, Genatrics, and Psychology. The clinic had over 67,000 encounters during the fiscal year ended June 30, 2012. The service area for St Mary's Regional Health Center include a large indigen

ldentifier	Return Reference	Explanation
FORM 990, PART VI, LINE 6		Members of Organization ESSENTIA HEALTH WEST 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 WEST have reserved powers with respect to ESSENTIA HEALTH ST MARY'S-DETROIT LAKES as described in Schedule O Part VI Line 7b

ldentifier	Return Reference	Explanation
FORM 990, PART VI, LINE 7A		Members with right to elect governing body. According to its Bylaws, ESSENTIA HEALTH WEST shall appoint and remove ESSENTIA HEALTH ST. MARY'S-DETROIT LAKES's governing body.

ldentifier	Return Reference	Explanation
FORM 990, PART VI, LINE 7B		Member with right to approve governing body decision ESSENTIA HEALTH ST MARY'S-DETROTT L AKES is a subsidiary of Essentia Health, whose Board of Directors has reserved powers with respect to this corporation and its subsidiaries of Essentia Health (collective), 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 System's strategic and business plans. Mission Authority to create, and to approve, the System's plant plant 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 an nual aggregate dollar limits prescribed in writing by the Essentia Health board of directors, and the authority to cause, and to approve, amendments of the articles of incorporation and bylaws of all entities in the System Authority to cause, and to approve, all mergers, consolidations, and dissolutions of all entities in the System Mergers and Acquisitions Authority to cause, and to approve, all firellations, joint ventures and other alliances with third parties of all entities in the System Authority to transfer assets, including as is, between and among entities within the System provided, now ever, that Essentia Health shall not have authority to require any entity in the System's fransfer 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 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 mixing years and the secular facilities within the System by procedure as escelular facilities within the System by procedures that are contrary to the Ethical and Religious Directives for Catholic Health Care Services

ldentifier	Return Reference	Explanation
FORM 990, PART VI, LINE 7B		ligious symbols, distinguishing elements and prayers. Official Catholic Directory. Authority to request the listing of qualified entities and facilities within the System in The Official Catholic Directory, subject to the approval of applicable Catholic authorities. Cat holic Health Association. Authority to require Catholic facilities and entities within the System to join the membership of the Catholic Health Association of the United States. All lenation 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 corpor ation that would alter the number of Benedictine Sisters of St. Scholastica Monastery of D uluth or Benedictine Sisters Benevolent Association board of director members serving as members of this corporation's board of directors, authority to approve any amendments to the Articles of Incorporation or Bylaws of the Supported Organizations, as well as the Catholic Subsidiaries (as defined in the Affiliation Agreement), which could materially affect such entity's identity as a Catholic institution, including without limitation any amendment that would alter the number of Benedictine Sisters of St. Scholastica Monastery of Dulu thor 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 make am endments to the Articles of Incorporation or Bylaws of the Supported Organizations, as well as the Catholic Subsidiaries, which amendments Benedictine Sisters Benevolent Association in ingood faith are necessary to preserve such entity's id

	Return ference	Explanation
FORM 990, PART VI, LINE 7B cont		Essentia Health West shall have the following reserved powers over the West 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 West 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 West Region, responsibility to adopt the value of Essentia Health. Operating and Financial Performance Responsibility to oversee the operating and financial performance of the West 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 West Region and its facilities, authority to develop West Region Development of Health context, regional and local strategic plans for the West Region, authority to develop West 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 West Region fon-budgeted Expenditures. Authority to approve non-budgeted capital purchases and leases for West Region facilities within dollar limits defined by Essentia Health. Accreditation and Licensure. Responsibility to oversee accreditation and licensure compliance for the facilities of the West Region. Affiliations and Joint Ventures authority to recommend proposed affiliations, 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 hind parties within the West Region Appointment of Directors. Authority to appoint or elect directors of the Direct Subsidiaries and oversee patient, family a

ldentifier	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 ST MARY'S-DETROIT LAKE's management and governing body on March 11, 2013 prior to filing with the Internal Revenue Service Each current director of the governing body received a copy of the 2011 Form 990 ESSENTIA HEALTH ST MARY'S-DETROIT LAKE's Chief Financial Officer led the review of the form and schedules and any questions were discussed

ldentifier	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 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 boar

ldentifier	Return Reference	Explanation
Form 990, Part VI, Line 15 A & B		Process for determining compensation. The compensation of Essentia Health West senior leadership is recommended by the President and Chief Administrative Officer of Essentia Health West Region and approved by the Executive Committee of the Essentia Health West Region Board of Directors. The annual compensation review process begins with an industry compensation survey completed by an external consulting group retained by the Essentia Health Board of Directors and coordinated by Essentia's Corporate Human Resources Department. The consultant's report encompasses current compensation trends, significant market factors, regional/national salary surveys and the consultant's recommended changes to compensation levels and compensation plan methodology Based on this data, the Chief Executive Officer of Essentia Health will make a recommendation of compensation adjustments for the Essentia Corporate Leadership Team, which includes the West Region President and Chief Administrative Officer, to the Essentia Health Compensation Committee, who will then act on these recommendations. A similar process is followed at Essentia Health West Region, the West Region President and Chief Administrative Officer recommending compensation adjustments to the Executive Committee of the Essentia Health West Board of Directors, who will then act on these recommendations. The year this process was last undertaken for St. Mary's Innovis Health's President was 2012. The compensation of Essentia Health West Physician leadership, including appointed Chief and Chair positions, is reviewed and approved by the West Region Board of Director's Executive Committee. The annual compensation review includes review and approval of the prior fiscal year's physician and provider compensation plan rates, adjustments and plan methodology. Compensation plan rates for the fiscal year are recommended by the West Region Physician and Provider Compensation Committee based on its review of multiple market surveys, regional competitive factors, and the annual budg

ldentifier	Return Reference	Explanation
FORM 990, PART VI, LINE 19		Availability of governing documents, conflict of interest policy, & financial statements to the public ESSENTIA HEALTH ST MARY'S-DETROIT LAKES makes its governing documents, conflict of interest policy, and financial statements available to the public upon request ESSENTIA HEALTH ST MARY'S-DETROIT LAKES 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

ldentifier	Return Reference	Explanation
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. Cyndi Anderson, approximately 2 hours Laurie Lew andowski approximately 3 hours. Bruce Hein, approximately 2 hours. Sister Luella Wegscheid, approximately 3 hours. Sister Pauline Micke, approximately 2 hours. Rhoda Hooper, approximately 2 hours. James Anderson, approximately 5 hours. Laverne, Moltzan, approximately 2 hours. Ryan Hill is employed by Essentia Health St. Mary's-Detroit Lakes as ESSENTIA HEALTH ST. MARY'S-DETROIT LAKEs Chief. Financial Officer, 100% of his time is spent furthering the purpose of ESSENTIA HEALTH ST. MARY'S-DETROIT LAKE and related organizations. Peter Jacobson is employed by Essentia Health West, 100% of his time is spent furthering the purpose of Essentia Health West, and related organizations. A bigail Ring, MD is employed by Essentia Health West as ESSENTIA HEALTH ST. MARY'S-DETROIT LAKEs Chief. Medical Officer, 100% of her time is spent furthering the purpose of ESSENTIA HEALTH ST. MARY'S-DETROIT LAKE and related organizations. Richard Vetter, MD is employed by Essentia Health West, 100% of his time is spent furthering the purpose of ESSENTIA HEALTH ST. MARY'S-DETROIT LAKE and related organizations. Robert Koshnick, MD is employed by Essentia Health West, 100% of his time is spent furthering the purpose of ESSENTIA HEALTH ST. MARY'S-DETROIT LAKE and related organizations.

ldentifier	Return Reference	Explanation
FORM 990, Part XI Line 5		Other Changes in Net Assets UNREALIZED loss ON TRADING SECURITIES & SWAPS (\$1,706,362)

ldentifier	Return Reference	Explanation
SCHEDULE		Additional information/comments relating to the reporting of liabilities by related organi zations. Essentia Health has an Obligated Group created under the Master Indenture which is composed of the following Members. Essentia Health St. Critical Access Group, Essentia Health St. Mary's Medical Center, Essentia Health St. Mary's Medical Rehabilitation Center, Essentia Health St. Mary's Medical Rehabilitation Center, Essentia Health St. Mary's Medical Center, Essentia Health Polinsky Medical Rehabilitation Center, Essentia Health St. Mary's Medical Center, Essentia Health St. Mary's Involve Health, The Duluth Clinic, Lid. and Essentia Health Polinsky Medical Group Members" or the "We mbers of the Obligated Group") The Members of the Obligated Group are jointly and several ly obligated on all indebtedness evidenced or secured by Notes issued under the Master Inde nture. The Series 2008A reoffered bonds are secured by Notes issued under the Master Inde nture. Essentia Health is the conduit borrower of the Series 2008A reoffered bonds and has recorded a portion of the bond liability on the balance sheets. The Obligated Group Members is Essentia Health West. The Duluth Clinic, Lid. and Essentia Health St. Mary's-Detroit Lakes, are indirect beneficiaries of the Series 2008A reoffered borrowing and have recorded the bond liability on their balance sheets which are consolidated with Essentia Health. The Series 2008B reoffered bonds are secured by Notes issued under the Master Indenture. The Obligated Group Members. The Duluth Clinic, Lid. All Essentia Health and Essentia Health St. Mary's Hospital-Superior are the conduit borrowers of the Series 2008B reoffered bonds. The conduit borrowers in the Duluth Clinic, Lid. All Essentia Health west and Essentia Health St. Mary's-Detroit Lakes, are indirect beneficiaries of a portion of the bond liability on their balance sheets which are consolidated with Essentia Health. Have recorded a portion of the Series 2008B reoffered borrowing and have recorded a portion of the bond li

ldentifier	Return Reference	Explanation
SCHEDULE K		ion projects and equipment purchases in Superior, WI and various Duluth Clinic locations in northwestern Wisconsin Series 2008 C Reoffered Reoffer Series 2008 C-5 and 2008 C-4A boinds issued March 4, 2008 to 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 refund Series 1999A bonds issued May 18, 1999 for various acquisitions, construction projects, capital improvements and equipment purchases in B rainerd, Detroit Lakes and Duluth, MN and various Duluth Clinic sites in northern Minnesot a 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 bond sissued 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 Dul uth 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 Part II, Line 3 issue Price Series 2008A Reoffered, Series 2008B Reoffered, Series 2008 C Reoffered, Series 2010, AND SERIES 2011 were issued by the Essentia Health Obligated Group's total borrowing Part II, Line s 3 through 12 Proceeds Series 2008A Reoffered, Series 2008B Reoffered, Series 2008A Reoffered, Series 2008A Reoffered, Series 2008A Reoffered, Series 2008A Reoffered, Series 2008B Reoffered, Series 2008C Reoffered, Series 2008A Reoffered, Series 2008B Reoffered, Series 20

efile GRAPHIC print - DO NOT PROCESS | As Filed Data SCHEDULE R | Related Or

(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

DLN: 93493120008133

2011

Open to Public Inspection

	e organization onal Health Center						lentification number		
Part I	Identification of Disregarded Entities (Comple	te if the organization	on answered "Yes	" on Form 990, Pa	•	41-162038 , line 33.)	56		
	<b>(a)</b> Name, address, and EIN of disregarded entity	<b>(b)</b> Primary activity	(c) Legal domicile (stat or foreign country)			(e) year assets	<b>(f)</b> Direct controlling entity		
Part II	Identification of Related Tax-Exempt Organizor more related tax-exempt organizations during the	<b>ations</b> (Complete e tax year.)	ıf the organizatio	n answered "Yes"	on Fo	orm 990, Pa	art IV, line 34 becaus	se it had	one
	(a) Name, address, and EIN of related organization	<b>(b)</b> Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))			Section 5 cont	( <b>g)</b> 512(b)(1 trolled nization
See Additional	Data Table							Yes	No
									_
									-
									+
									_
For Privacy	Act and Paperwork Reduction Act Notice, see the Instruction	ns for Form 990.	Cat No 5	0135Y			Schedule R (	Form 990	2011

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>(b)</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		Share of total Share of end-of-		Share of end-of- year		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	<b>(j</b> Gene mana parti	ral or aging	<b>(k)</b> Percentage ownership
							Yes	No		Yes	No	
(1) PMC-Gateway Imaging LLC 109 Court Ave S Sandstone, MN 55072 26-1634764	Imaging ServiCES	MN	NA	N/A	0	0			0			0 %
									1 11			

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>(b)</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	<b>(h)</b> Percentage ownership
(1) Essentia Health Insurance Services SPC Buckingham Sq 720 W Bay Rd PO Bx 69 Grand Cayman, CA KY1-1102 CJ 000000000	Insurance	CJ	NA	Foreign Corp	0	0	0 %
(2) East Range Clinics LTD 910 6th Ave N Virginia, MN 55792 41-0909915	Clinics	MN	NA	C CORP	0	0	0 %
						Cabadula D (	Form 000\ 2011

(6)

Note. Complete line 1 if any entity is listed in Parts II, III or IV  1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?  a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity  b Gift, grant, or capital contribution to related organization(s)  c Gift, grant, or capital contribution from related organization(s)  d Loans or loan guarantees to or for related organization(s)  e Loans or loan guarantees by related organization(s)  f Sale of assets to related organization(s)  g Purchase of assets from related organization(s)  h Exchange of assets with related organization(s)  i Lease of facilities, equipment, or other assets to related organization(s)							
a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity  b Gift, grant, or capital contribution to related organization(s)  c Gift, grant, or capital contribution from related organization(s)  d Loans or loan guarantees to or for related organization(s)  e Loans or loan guarantees by related organization(s)  f Sale of assets to related organization(s)  f Purchase of assets from related organization(s)  h Exchange of assets with related organization(s)  1a  1b  1b  1c  Y  1d  1f  g  Purchase of assets to related organization(s)  1f  1g  Loans or loan guarantees by related organization(s)  1f  1g  Loans or loan guarantees by related organization(s)  1f  1g  Loans or loan guarantees by related organization(s)  1f  1g  Loans or loan guarantees by related organization(s)	es No						
b Gift, grant, or capital contribution to related organization(s) c Gift, grant, or capital contribution from related organization(s) d Loans or loan guarantees to or for related organization(s) e Loans or loan guarantees by related organization(s)  f Sale of assets to related organization(s)  f Purchase of assets from related organization(s)  g Purchase of assets with related organization(s)  h Exchange of assets with related organization(s)							
c Gift, grant, or capital contribution from related organization(s) d Loans or loan guarantees to or for related organization(s) e Loans or loan guarantees by related organization(s)  f Sale of assets to related organization(s)  g Purchase of assets from related organization(s)  h Exchange of assets with related organization(s)  1c Y  1d  1c Y  1d  1e  1e  1e  1e  1  1e  1  1f  1f  1f	No						
d Loans or loan guarantees to or for related organization(s)  e Loans or loan guarantees by related organization(s)  f Sale of assets to related organization(s)  f Purchase of assets from related organization(s)  h Exchange of assets with related organization(s)	No						
e Loans or loan guarantees by related organization(s)  f Sale of assets to related organization(s)  g Purchase of assets from related organization(s)  h Exchange of assets with related organization(s)	ıs						
f Sale of assets to related organization(s)  g Purchase of assets from related organization(s)  h Exchange of assets with related organization(s)	No						
g Purchase of assets from related organization(s)  h Exchange of assets with related organization(s)	No						
g Purchase of assets from related organization(s)  h Exchange of assets with related organization(s)							
h Exchange of assets with related organization(s)	No						
ii Exchange of assets with related organization(s)	No						
i Lease of facilities, equipment, or other assets to related organization(s)	No						
	s						
j Lease of facilities, equipment, or other assets from related organization(s)	es						
k Performance of services or membership or fundraising solicitations for related organization(s)							
I Performance of services or membership or fundraising solicitations by related organization(s)	s						
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)							
n Sharing of paid employees with related organization(s)	s						
o Reimbursement paid to related organization(s) for expenses	s						
p Reimbursement paid by related organization(s) for expenses	s						
<b>q</b> Other transfer of cash or property to related organization(s)							
r Other transfer of cash or property from related organization(s)	s						
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) (b) (c) (d) (d) (formula of determining to the control of the							
Name of other organization	imount						
(1) See Additional Data Table							
(2)							
(3)							
(4)							
(5)							

#### 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

<b>(a)</b> Name, address, and EIN of entity	<b>(b)</b> Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	org	(e) Are all partners section 501(c)(3) janizations?	<b>(f)</b> Share of total income	<b>(g)</b> Share of end-of-year assets	(h) Disproprtionate allocations?		Disproprtionate allocations?		Disproprtionate allocations?		Disproprtionate allocations?		Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	Gene man part	<b>j)</b> eral or aging ener?	<b>(k)</b> 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)

Ident if ier	Return Reference	Explanation
Form 990, Schedule R, Part II, Column a		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 Sandstone Polinsky Medical Rehabilitation Center, Essentia Health Polinsky Medical Rehabilitation Center SMDC Medical Center, Essentia Health Duluth St. Mary's Duluth Clinic Health System, Essentia Health East St. Mary's Hospital of Superior, Essentia Health St. Mary's Medical Center.

Schedule R (Form 990) 2011

Software ID: **Software Version:** 

**EIN:** 41-1620386

Name: St Mary's Regional Health Center

dentification of Rel	ated Tax-Ex	kempt Orga	nizations			
<b>(b)</b> Primary Activity	(c) Legal Domicile (State or Foreign Country)	<b>(d)</b> Exempt Code section	(e) Public charity status (if 501(c) (3))	<b>(f)</b> Direct Controlling Entity	Sectio (b)( contr	n 512 13) olled
Support ORG	MN	501(C) (3)	11 II	ESSENTIA	Yes	
Clinic	MN	501(C) (3)	3	BLIHS	Yes	
Clinic/Hosp	MN	501(C) (3)	3	INNOVIS	Yes	
Clinic/Hosp	ID	501(C) (3)	3	CAG	Yes	
Emerg SrvCS	ID	501(C) (3)	3	SBFMC	Yes	
ASC	MN	501(C) (3)	3	CAG	Yes	
Support ORG	MN	501(C) (3)	11 II	Essentia	Yes	
Clinic/Hosp	ID	501(C) (3)	3	CAG	Yes	
CLINIC/HOSP	MN	501(C) (3)	3	BLIHS	Yes	
Emerg SrvCS	MN	501(C) (3)	9	SMRHC	Yes	
Clinic/Hosp	ID	501(C) (3)	3	CAG	Yes	
Clinic	MN	501(C) (3)	3	INNOVIS	Yes	
Support ORG	MN	501(C) (3)	11 III-FI	NA		No
Clinic/Hosp	DE	501(C) (3)	3	Essentia	Yes	
Medical Equip	MN	501(C) (3)	9	SMMC	Yes	
Clinic/Hosp	MN	501(C) (3)	3	SMDCHS	Yes	
HOSPITAL/NURS	MN	501(C) (3)	3	SMDCHS	Yes	
Clinic	MN	501(C) (3)	3	SMMC	Yes	
SUPPORT ORG	MN	501(C) (3)	11 II	Essentia	Yes	
Clinic/Hosp	WI	501(C) (3)	3	SMMC	Yes	
	Clinic/Hosp Emerg SrvCS  ASC  Clinic/Hosp   (b)       Colegal Domicile (State or Foreign Country)         Support ORG       MN         Clinic       MN         Clinic/Hosp       MN         Clinic/Hosp       ID         Emerg SrvCS       ID         ASC       MN         Support ORG       MN         Clinic/Hosp       ID         CLINIC/HOSP       MN         Emerg SrvCS       MN         Clinic/Hosp       ID         Clinic       MN         Support ORG       MN         Clinic/Hosp       DE         Medical Equip       MN         Clinic/Hosp       MN	(b) Primary Activity         (c) Legal Domicile (State or Foreign) Code section           Support ORG         MN         501(C) (3)           Clinic         MN         501(C) (3)           Clinic/Hosp         MN         501(C) (3)           Emerg SrvCS         ID         501(C) (3)           ASC         MN         501(C) (3)           Support ORG         MN         501(C) (3)           Clinic/Hosp         ID         501(C) (3)           Clinic/Hosp         ID         501(C) (3)           Emerg SrvCS         MN         501(C) (3)           Emerg SrvCS         MN         501(C) (3)           Clinic/Hosp         ID         501(C) (3)           Clinic         MN         501(C) (3)           Support ORG         MN         501(C) (3)           Medical Equip         MN         501(C) (3)           Clinic/Hosp         MN         501(C) (3)           Mo SPITAL/NURS         MN         501(C) (3)           Support ORG         MN         501(C) (3)           Support ORG         MN         501(C) (3)           Clinic/Hosp         MN         501(C) (3)           Support ORG         MN         501(C) (3)	(b)         Legal (d) (State of Foreign Country)         (d) (State of Foreign Country)         Public Status (State of Section (S))         Public Status (S) (S)           Support ORG         MN         501(C) (3)         11 II           Clinic         MN         501(C) (3)         3           Clinic/Hosp         MN         501(C) (3)         3           Emerg SrvCS         ID         501(C) (3)         3           ASC         MN         501(C) (3)         3           Support ORG         MN         501(C) (3)         3           CLINIC/Hosp         ID         501(C) (3)         3           Emerg SrvCS         MN         501(C) (3)         3           Emerg SrvCS         MN         501(C) (3)         3           Clinic/Hosp         ID         501(C) (3)         3           Clinic/Hosp         ID         501(C) (3)         3           Support ORG         MN         501(C) (3)         11 III-FI           Clinic/Hosp         DE         501(C) (3)         3           Medical Equip         MN         501(C) (3)         3           Mospital Equip         MN         501(C) (3)         3           Clinic/Hosp         MN         501(C) (3)	Color	Color	

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

Torin 330, Scricatic 19 rate 11		ated rax E	kempt orga				
(a) Name, address, and EIN of related organization	<b>(b)</b> Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	<b>(f)</b> Direct Controlling Entity	g Section 51 (b)(13) controlled organization	d
St Mary's Medical Center							-1
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	
First Care Medical Services							I
900 Hilligross Blvd SE Fosston, MN 56542 41-0706143	Clinic/Hosp	MN	501(C) (3)	3	INNOVIS	Yes	
Mınnesota Valley Health Center							
621 S 4th St Le Sueur, MN 56058 41-0837659	Hospital/NURS	MN	501(C) (3)	3	CAG	Yes	
Essentia Institute of Rural Health							_
502 E 2nd St Duluth, MN 55805 27-1291124	Research	MN	501(C) (3)	4	Essentia	Yes	
ESSENITA Health Foundation							I
502 E 2nd St Duluth, MN 55805 27-1984704	Foundation	MN	501(C) (3)	7	ESSENTIA	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>(b)</b> Transaction type(a-r)	(c) A mount I nvolved (\$)	(d) Method of determining amount involved
(1)	Critical Access Group	0	3,795,370	A ctual costs
(2)	Essentia Health	L	3,413,688	Actual costs
(3)	Essentia Health	0	2,922,298	Actual costs
(4)	Essentia Health	R	169,520	Actual costs
(5)	Bridges Medical Center	N	61,747	Actual costs
(6)	St Mary's EMS	Р	363,731	Actual costs
(7)	Innovis Health LLC	0	14,742,457	Actual costs
(8)	Innovis Health LLC	J	253,780	Actual costs
(9)	Innovis Health LLC	I	98,400	Actual costs
(10)	Innovis Health LLC	L	163,733	Actual costs
(11)	St Joseph's Medical Center	0	111,445	Actual costs
(12)	SMDC Medical Center	Р	6,077,107	Actual costs
(13)	The Duluth Clinic Ltd	Р	90,230	Actual costs
(14)	Essentia Health Foundation	С	93,356	Actual costs
(15)	Essentia Health Foundation	N	111,407	Actual costs
(16)	Essentia Health Foundation	Р	73,866	Actual costs
(17)	St Mary's Innovis Health	Р	500,430	Actual costs
(18)	St Mary's EMS	I	60,000	Actual costs
(19)	SMDC Medical Center	0	1,572,661	Actual costs

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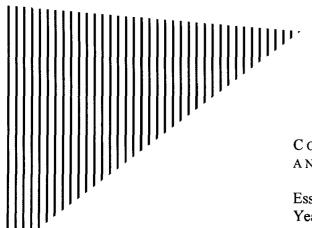
OMB No 1545-0172

**Depreciation and Amortization** (Including Information on Listed Property)

Department of the Treasury See separate instructions. Attach to your tax return. Sequence No 179 Internal Revenue Service (99) Name(s) shown on return Business or activity to which this form relates **Identifying number** St Mary's Regional Health Center GENERAL DEPRECIATION 41-1620386 **Election To Expense Certain Property Under Section 179** Note: If you have any listed property, complete Part V before you complete Part I. \$ 500,000 1 Maximum amount (see instructions) 1 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 (b) Cost (business use 6 (a) Description of property (c) Elected cost only) 7 Listed property Enter the amount from line 29 8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7 9 9 Tentative deduction Enter the smaller of line 5 or line 8 **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 13 Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12 Note: Do not use Part II or Part III below for listed property. Instead, use Part V. 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 16** Other depreciation (including ACRS) 902 MACRS Depreciation (Do not include listed property.) (See instructions.) 17 MACRS deductions for assets placed in service in tax years beginning before 2011 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 (c) Basis for (b) Month and depreciation (a) Classification of (g)Depreciation (d) Recovery year placed in (business/investment (e) Convention (f) Method property period deduction service use only—see instructions) 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 h Residential rental 27 5 yrs ММ S/L property 27 5 yrs MMS/L 39 yrs MM i Nonresidential real property ММ 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 MMS/L Part IV **Summary** (see instructions) 22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here 902 and on the appropriate lines of your return Partnerships and S corporations—see instructions 23 For assets shown above and placed in service during the current year, enter the 23 portion of the basis attributable to section 263A costs

Form 4562 (2011) Page 2 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? (c) (i) (e) (b) Business/ (d) (f) (g) (h) Basis for depreciation Elected Type of property (list Date placed in investment Cost or other Recover Method/ Depreciation/ (business/investment section 179 vehicles first) deduction service basis period Convention use use only) cost percentage 25Special 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 -IS/L -28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1 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 (b) (c) (f) (a) (d) (e) 30 Total business/investment miles driven during the Vehicle 1 Vehicle 2 Vehicle 3 Vehicle 4 Vehicle 5 Vehicle 6 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 34 Was the vehicle available for personal use Yes No Yes No Yes No Yes No Yes No Yes No 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—Ouestions 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) 37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your Yes No 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 Amortizatio	n				•
(a) Description of costs	(b) Date amortization begins	<b>(c)</b> A mortizable amount	(d) Code section	(e) A mortization period or percentage	<b>(f)</b> A mortization for this year
42 A mortization of costs that b	egins during your 20	11 tax year (see ınstruct	ions)		
<b>43</b> A mortization of costs that b	egan before your 20	11 tax year		43	
44 Total. Add amounts in colur	nn (f) See the instru	ctions 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



# Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2012 and 2011

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### 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.

September 25, 2012

1206-1364731

Ernst + Young LLP

### 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	<b>-\$</b> 1	1,623,601	\$	1,625,066

See accompanying notes.

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

	Year Ende	ed June 30 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

4

	Year Ended 2012		Ended June 30 2011	
Unrestricted net assets:				
Excess of revenue and gains over expenses and losses  Net change in unrealized gains and losses on other-than-	\$	14,266	\$	123,514
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.

### Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended June		ine 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		(12,10)		(15,175)
other-than-trading, net		(5,242)		(4,891)
Net cash used in investing activities		(90,275)		(144,977)
1 ( To the state of the state o		(>0,= , 0)		(***,>***)
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	•	22 522	d)	20.705
Interest paid, net of capitalized interest		22,523	\$	20,795

See accompanying notes

# 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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 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	Essentia Health Holy Trinity	Graceville, Minnesota
October 2010)	Hospital	

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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	Jerome, Idaho
(through October 1, 2011)	·

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:

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization (continued)

	Investmer in Cons Baland Jur		t Inco	re of me (Loss) ed June 30		
	2012	2011	20	)12		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 managemen	•	440.900	¢	424 170
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

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (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	<u>%</u>
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

# Notes to Consolidated Financial Statements (continued) (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.

# Notes to Consolidated Financial Statements (continued) (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  Net change in unrealized gains and losses on other-than-		(18,534)	38,069
trading investments		(46)	1,562
naung myesimeme		(8,794)	73,375
Less investment expenses related to investment return		3,677	2,278
•	\$	(12,471)	\$ 71,097
Other operating revenue Non-operating (losses) gains	\$	170 (12,595)	\$ 168 68,402
Other changes in unrestricted net assets		(46)	220
Other changes in temporarily restricted net assets	_	- (40 (54)	 2,307
		(12,471)	\$ 71,097

# Notes to Consolidated Financial Statements (continued) (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:

							7	<b>Total</b>
		Level 1		Level 2		Level 3	_Fai	r 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		_		<del></del>		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	<u>\$</u>	451,658
Liabilities	•		Φ		•	27.154	•	27.154
Swap liabilities			\$		\$	27,154	2	27,154

# Notes to Consolidated Financial Statements (continued) (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

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (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.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 7. Property and Equipment

Property and equipment at June 30 are summarized as follows:

 2012		2011
\$ 35,388	\$	33,147
694,309		653,987
 546,392		531,973
 1,276,089		1,219,107
 (704,640)		(692,220)
 571,449		526,887
 19,645		57,566_
\$ 591,094	\$	584,453
\$ 	\$ 35,388 694,309 546,392 1,276,089 (704,640) 571,449 19,645	\$ 35,388 \$ 694,309 546,392 1,276,089 (704,640) 571,449 19,645

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	

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 9. Long-Term Debt

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

	Annual		2012	2011
E COLL LIG B	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
r		\$		\$ 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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 9. Long-Term Debt (continued)

All Obligated Group members have pledged certain unrestricted receivables and certain passthrough obligations for payment of long-term indebtedness issued under the MTI. No passthrough 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.

# Notes to Consolidated Financial Statements (continued) (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

# Notes to Consolidated Financial Statements (continued) (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		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:

	N	otional	As	set	s	Liab	ilit	ies		(Loss) G Recorde Non-Oper	d as
	_A	mount	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

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 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.

# Notes to Consolidated Financial Statements (continued) (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 3			
		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.

# Notes to Consolidated Financial Statements (continued) (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) Amortization of actuarial loss	\$ 49,237 (2,887)	\$ (15,468) (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%	5.5	1% 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	0% 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.

# Notes to Consolidated Financial Statements (continued) (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:

	<b>Asset Allocation</b>		
	<u>Target</u>	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		I	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

# Notes to Consolidated Financial Statements (continued) (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.

# Notes to Consolidated Financial Statements (continued) (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:

		ternative vestments	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	\$ 7,2	283
2014	8,.	524
2015	8,9	973
2016	9,4	445
2017	11,	046
2018–2022	65,	710

# Notes to Consolidated Financial Statements (continued) (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 Protection Act ion Zone Status		FIP/				Expiration Date	
				RP Status	Contributions of Company			of Collective- Bargaining	
Pension	EIN/Pension			Pending/			Surcharge		
Fund	Plan Number	2012	2011	Implemented	2012	2011	Imposed	Agreement	
Steelworkers								June 30, 2012 to	
Pension Tru	st 23-6648508/499	Green	Green	N/A	\$ 3,638	\$ 3,540	No	June 30, 2014	

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 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.

# Notes to Consolidated Financial Statements (continued) (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.

# Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

## 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** 



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# 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.

September 25, 2012

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# 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			d June 30 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%	
1 5 1					

<sup>\*</sup>As defined in the Catholic Health Association/VHA Inc. guidelines.

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