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Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Sarton Memorial Hospital Inc

Doing Business As

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

Room/suite

515 College Street

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

Cedar Falls, IA 50613

F Name and address of principal officer

Jack Dusenbery

3421 West Ninth Street

Waterloo,IA 507025499

D Employer identification number

42-0758901

E Telephone number

(319) 272-8000

G Gross receipts \$ 36,567,579

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (Insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

www.wheatoniowa.org

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1954

M State of legal domicile

IA

Part I	Summary
Activities & Governance	1 Briefly describe the organization's mission or most significant activities General inpatient and outpatient acute health care services
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets
	3 Number of voting members of the governing body (Part VI, line 1a) 9
	4 Number of independent voting members of the governing body (Part VI, line 1b) 6
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a) 303
	6 Total number of volunteers (estimate if necessary) 186
	7a Total unrelated business revenue from Part VIII, column (C), line 12 0
	7b Net unrelated business taxable income from Form 990-T, line 34 0
Revenue	8 Contributions and grants (Part VIII, line 1h) 422,029 423,746
	9 Program service revenue (Part VIII, line 2g) 34,477,974 35,413,336
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) 18,269 2,688
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) 547,013 371,016
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) 35,465,285 36,210,786
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3) 88,050 89,170
	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) 12,844,864 13,101,493
	16a Professional fundraising fees (Part IX, column (A), line 11e) 0 0
	b Total fundraising expenses (Part IX, column (D), line 25) 0
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) 16,115,866 16,840,668
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) 29,048,780 30,031,331
Net Assets or Fund Balances	19 Revenue less expenses Subtract line 18 from line 12 6,416,505 6,179,455
	20 Total assets (Part X, line 16) 16,032,649 14,977,465
	21 Total liabilities (Part X, line 26) 2,615,413 2,848,069
	22 Net assets or fund balances Subtract line 21 from line 20 13,417,236 12,129,396

Part II

Signature Block

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

Sign Here

Signature of officer

Date

2013-05-15

Type or print name and title

MICHELE M PANICUCCI Senior VP and CFO

Paid Preparer's Use Only

Preparer's signature

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

Date

Check if self-employed

Preparer's taxpayer identification number (see instructions)

EIN

Phone no

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

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

AS A MEMBER OF WHEATON FRANCISCAN HEALTHCARE, OUR AFFILIATES STRIVE TO LIVE OUT THE HEALING MINISTRY OF THE JUDEO-CHRISTIAN TRADITION WHILE PROVIDING EXCEPTIONAL AND COMPASSIONATE HEALTHCARE SERVICES THAT PROMOTE THE DIGNITY AND WELL BEING OF THE PATIENTS AND COMMUNITIES WE SERVE. OUR VISION IS TO BE RECOGNIZED FOR SUPERIOR HEALTHCARE SERVICE, CLINICAL EXCELLENCE, AS THE HEALTHCARE EMPLOYER OF CHOICE, AND THE PREFERRED PARTNER OF PHYSICIANS.

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses \$ 24,835,959 including grants of \$ 89,170) (Revenue \$ 35,468,527)

WHEATON FRANCISCAN SERVICES, INC (WFSI) is a Catholic, not-for-profit health care and housing organization serving at sites in Wisconsin, Iowa, Illinois, and Colorado. The System includes 15 hospital sites*, three transitional and extended-care facilities, two home health agencies, more than 3,000 physicians, more than 70 clinic sites with 610 employed physicians, and approximately 2,620 units of assisted living and other housing, and the corporate services offices in Wheaton, Illinois, and Glendale, Wisconsin. Started more than 125 years ago and formally incorporated in 1983, WFSI is committed to living out the Mission and Values of its Sponsors, the Wheaton Franciscan Sisters, by providing excellent and compassionate health care and housing services to all, regardless of their ability to pay. WFSI was incorporated in 1983 to preserve and strengthen Judeo-Christian values, provide a framework for lay expertise and involvement, respond to an increasingly complex environment, ensure continuity of Franciscan sponsorship, and assure viability and excellence throughout the organization. As a not-for-profit organization, WFSI reinvests all net income into the communities it serves. Its multiple entities are dedicated to delivering quality health care to patients and residents through highly-trained staff, advanced technology, and superior and compassionate service, caring for each person's body, mind, and spirit with respect and dignity, working to improve the health of the communities, and ensuring health care access for everyone. WFSI is organized into market-based regional holding companies organized in the Southeast, Wisconsin region, as well as other regional holding companies conducting services in Illinois, Iowa, and Colorado. The System's housing and spiritual development services are organized under the holding company name of Franciscan Ministries, Inc. Since 2006, the "doing business as" name for WFSI's health care ministry has been Wheaton Franciscan Healthcare (WFH). 2012 marked the 11th consecutive year Wheaton Franciscan Healthcare in Southeast Wisconsin has been named one of the top 100 most efficient, best performing health care networks in the nation, according to IMS (formerly SDI), the nation's premier integrated health network (IHN) evaluation system. Wheaton Franciscan Healthcare is ranked 32nd and is the top system in Southeast Wisconsin. The top 100 ranking is based on integration in areas such as managed care, information systems, and physician affiliations. Wheaton Franciscan Healthcare scored above the nation's top 100 integrated health networks' average score in the areas of hospital utilization, physician participation, services and access, outpatient utilization, integration, and integrated technology. Other national recognitions include being named one of the best performing 50 systems in Thompson Reuters' 100 Top Hospitals. Health Systems Quality/Efficiency Study in 2009. Wheaton Franciscan Healthcare is a recent recipient of the ECRI Institute's Healthcare Supply Chain Achievement Award. The award honors organizations that demonstrate excellence in overall cost management and in adopting best practice solutions in supply chain processes. Wheaton is one of five health care organizations nationwide to be honored. Wheaton Franciscan Healthcare also received a 2009 VIP Award from McKesson Technology Solutions for its success in using information technology to enhance patient safety across nine hospital sites and more than 100 physician offices. The VIP Awards are presented annually to organizations that demonstrate vision, innovation and performance in the use of healthcare IT. Wheaton Franciscan Healthcare was one of five health care organizations selected by a panel of experts in the field of health care IT use to receive the award. *The interest in Affinity Health System was sold to Ministry Healthcare in February 2012 and as such statistics related to that system have not been included in this filing. Please see our full 2012 Annual Report online at www.WheatonAnnualReport.org. CORPORATE STRUCTURE: Parent Company: Wheaton Franciscan Services, Inc. DBA: Wheaton Franciscan Healthcare. Health care ministry: Wheaton Franciscan Healthcare Housing ministry: Franciscan Ministries, Inc. Health Care Mission: Wheaton Franciscan Healthcare is committed to living out the healing ministry of Jesus by providing exceptional and compassionate health care service that promotes the dignity and well-being of the people we serve. Health Care Vision: Our health ministries will be recognized in each community we serve for superior and compassionate patient service, clinical excellence, as the health care employer of choice, and the preferred partner of physicians. Housing Mission: Franciscan Ministries is committed to providing quality and affordable housing in a compassionate environment that promotes wholeness of life within ourselves and the communities we serve. Housing Vision: Our housing ministries will be recognized for excellence in property management and a well-integrated network of support services that provide hope, growth, and opportunity. Values: Our common Values, which flow from our Mission and Catholic tradition, must have meaning for every one of us. Through them we put the healing ministry of Jesus into practice throughout the Wheaton Franciscan System. Respect: We value each person as sacred, created in the image and likeness of God, which gives worth and meaning to each person's life. Integrity: We value honesty and words and actions that build trust. Development: We value personal and professional growth that combines the physical, emotional, spiritual and relational aspects of life and work. Excellence: We value superior performance in our work and service. Stewardship: We value our responsibility to use human, financial, and natural resources entrusted to us for the common good, with special concern for those who are poor. WHEATON FRANCISCAN HEALTHCARE: Wheaton Franciscan Services, Inc.'s health care division, doing business as Wheaton Franciscan Healthcare (WFH), consists of facilities in Illinois, Iowa, and Wisconsin. SYSTEM STATISTICS: Hospital Sites: 15. Staffed Hospital beds: 1,794. Long-term Care Facilities: 3. Home Health Agencies: 2. Units of Housing: 2,620. Associates: 17,143. Affiliated Physicians: 2,424. Employed Physicians: 610. Emergency Room Visits: 345,145. Newborns: 8,677. Hospital Admissions: 72,335. Hospital Patient Days: 348,751. Skilled Nursing Unit Patient Days: 24,057. Long-term Care Facility Patient Days: 83,512. Hospital Outpatient Visits: 1,696,550. Hospice Days: 22,324. Home Health Visits: 117,452. Medical Group Physician Visits: 1,540,488. WFH ORGANIZATIONS: Iowa: Covenant Medical Center, Inc. Mercy Hospital of Franciscan Sisters, Inc. Sartori Memorial Hospital, Inc. Covenant Clinic. Covenant Foundation, Inc. Sartori Health Care Foundation, Inc. Covenant Regional Services, Inc. Illinois: Marianjoy Rehabilitation Hospital and Clinics. Marianjoy Medical Group. Marianjoy Foundation. RUSH OAK PARK HOSPITAL, Inc. OSF Services. Canticle Ministries. Clara Pfaender Fund. Upendo Village. Wisconsin: Wheaton Franciscan - Elmbrook Memorial, St. Joseph, and The Wisconsin Heart Hospital. Campuses: All Saints St. Francis Franklin. Franciscan Woods. The Terrace at St. Francis. Wheaton Franciscan Home Health. Wheaton Franciscan Hospice. Wheaton Franciscan Laboratories. Wheaton Franciscan Medical Group. All Saints Foundation. Volunteers in Partnership with Wheaton Franciscan Healthcare. All Saints St. Joseph Foundation. Elmbrook Memorial Foundation. Circle of Life Foundation. The Foundation for St. Francis and Franklin AFFILIATIONS INCLUDE: Midwest Orthopedic Specialty Hospital - Franklin, WI. United Hospital System - Kenosha, Wisconsin. St. Catherine's Medical Center and Kenosha Medical Center. Campuses: WHEATON FRANCISCAN HEALTHCARE COMMUNITY IMPACT FOR SYSTEM / 2012. Charity Care: \$37,795,590. Charity Care is defined as free or discounted health services provided to those who cannot afford to pay and who meet all criteria for financial assistance. Charity care is based on actual costs, not charges, and does not include bad debt. Unreimbursed cost of public programs: \$91,349,958. Unreimbursed cost of public programs is defined as the shortfall experienced when payments received are below the cost of treating public beneficiaries through Medicaid and other local public programs. Community Health Improvement Services: \$3,900,044. Community Health Improvement Services are defined as clinical and non-clinical services designed to improve community health, which are provided to the community for free or for fees that did not cover costs. Financial contributions: \$2,687,567. Financial contributions are defined as contributions, including cash, non-cash items such as food, furniture, equipment, supplies, and loaned staff for volunteer and charitable purposes, made to individuals, community groups, or nonprofit organizations for charitable purpose.

[illegible][illegible]

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

4e	Total program service expenses	\$ 24,835,959
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Part IV Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	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.		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.	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.		
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.		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.		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III.		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.		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V.		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.	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.		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.		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.		No
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.	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.		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII.		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.	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E.		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		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.		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.		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.		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.		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.	Yes	
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.		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H.	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements.	Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V		Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V ☒					
			Yes	No	
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	0		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c		
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return	2a	303		
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).			2b		Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?			3a		No
b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O			3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a		No	
b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No	
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b	No	
c If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a		No	
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7 Organizations that may receive deductible contributions under section 170(c).					
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?			7a	Yes	
b If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b	Yes	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c	No	
d If "Yes," indicate the number of Forms 8282 filed during the year			7d		
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e	No	
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f	No	
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?					
9 Sponsoring organizations maintaining donor advised funds.					
a Did the organization make any taxable distributions under section 4966?			9a		
b Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10 Section 501(c)(7) organizations. Enter					
a Initiation fees and capital contributions included on Part VIII, line 12			10a		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities			10b		
11 Section 501(c)(12) organizations. Enter					
a Gross income from members or shareholders			11a		
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)			11b		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?					
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year			12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.					
a Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.			13a		
b Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans			13b		
c Enter the aggregate amount of reserves on hand			13c		
14a Did the organization receive any payments for indoor tanning services during the tax year?			14a	No	
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O			14b		

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a9		
b	Enter the number of voting members included in line 1a, above, who are independent	1b6		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization.	
	TIMOTHY HUBER 3421 WEST NINTH STREET WATERLOO,IA 507025499 (319) 272-7607	

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Jack Dusenbery Director	40 0	X		X					598,977	74,086
(2) Diane Heindl MD Secretary/Treasurer - Director	40 0	X		X					183,310	31,488
(3) Nick Evens Director	1 0	X								
(4) John Fuller Director	1 0	X								
(5) Noreen Hermansen Director	1 0	X								
(6) Ann Jones-Lyons ViceChair - Director	1 0	X		X						
(7) John Jorgensen DVM Chair - Director	1 0	X		X						
(8) Tom Strub DDS Director	1 0	X								
(9) Tayna Warren Director	1 0	X								
(10) Rose Fowler Admin VP Operations Site Ad	40 0			X				227,616		41,600
(11) Michele Panicucci Asst Treas	40 0			X					442,415	72,111
(12) Paul Franke MD VP Medical Affairs	40 0				X				401,467	34,366
(13) Chrstopher Hyers VP Business Dev	40 0				X				258,881	46,561
(14) Nancy Weber Sr VP and Chief Nursing Office	40 0				X				338,163	252,487
(15) Kelly Wolf Pharmacist	40 0					X		117,830		9,698
(16) Carl Vanderkooi MD PHYSICIAN	40 0						X		198,579	29,071

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c	97,971				
	d	Related organizations	1d	285,375				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	40,400				
	g	Noncash contributions included in lines 1a-1f \$ 18,673						
	h	Total. Add lines 1a-1f		423,746				
Program Service Revenue			Business Code					
	2a	NET PROGRAM SERVICE REVENUE	900099	17,193,258	17,193,258			
	b	MEDICARE/MEDICAID PAYMENTS	900099	18,220,078	18,220,078			
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		35,413,336				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		35,052			35,052	
	4	Income from investment of tax-exempt bond proceeds . .		0				
	5	Royalties		0				
	6a	(i) Real		(ii) Personal				
		Gross rents	467,797					
		b Less rental expenses	255,423					
		c Rental income or (loss)	212,374					
	d	Net rental income or (loss)		212,374	55,191		157,183	
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory		18,995				
		b Less cost or other basis and sales expenses		51,359				
		c Gain or (loss)		-32,364				
	d	Net gain or (loss)		-32,364			-32,364	
	8a	Gross income from fundraising events (not including \$ 97,971 of contributions reported on line 1c) See Part IV, line 18	a	45,454				
	b	Less direct expenses	b	50,011				
	c	Net income or (loss) from fundraising events . .		-4,557			-4,557	
	9a	Gross income from gaming activities See Part IV, line 19	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities . .		0				
	10a	Gross sales of inventory, less returns and allowances	a					
	b	Less cost of goods sold	b					
	c	Net income or (loss) from sales of inventory . .		0				
	Miscellaneous Revenue		Business Code					
	11a	GIFT SHOP	453220	42,107			42,107	
	b	CAFETERIA	722210	61,457			61,457	
	c	MISCELLANEOUS	900099	59,635			59,635	
d	All other revenue							
e	Total. Add lines 11a-11d		163,199					
12	Total revenue. See Instructions		36,210,786	35,468,527		318,513		

Part IX

Statement of Functional Expenses

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

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	89,170	89,170		
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	269,216		269,216	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	10,325,771	10,111,538	214,233	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	506,296	495,792	10,504	
9	Other employee benefits	1,242,271	1,216,497	25,774	
10	Payroll taxes	757,939	746,401	11,538	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	0			
c	Accounting	0			
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	1,351,980	1,351,980		
12	Advertising and promotion	1,895	1,895		
13	Office expenses	1,242,740	1,218,179	24,561	
14	Information technology	0			
15	Royalties	0			
16	Occupancy	577,467	577,467		
17	Travel	14,810	12,544	2,266	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	10,985	10,798	187	
20	Interest	22,980		22,980	
21	Payments to affiliates	283,072	283,072		
22	Depreciation, depletion, and amortization	1,518,514	1,518,337	177	
23	Insurance	0			
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	PURCHASED SERVICES	1,283,111	1,283,111		
b	MEDICAL SUPPLIES	4,769,823	4,769,813	10	
c	BAD DEBT EXPENSE	1,078,500	1,078,500		
d	CORPORATE SERVICES ALLOCATION	3,064,239		3,064,239	
e					
f	All other expenses	1,620,552	70,865	1,549,687	
25	Total functional expenses. Add lines 1 through 24f	30,031,331	24,835,959	5,195,372	0
26	Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			0	1	0
	2	Savings and temporary cash investments			0	2	0
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			4,494,476	4	4,381,256
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			0	6	0
	7	Notes and loans receivable, net			0	7	0
	8	Inventories for sale or use			278,533	8	287,304
	9	Prepaid expenses and deferred charges			0	9	0
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	25,245,782			
	b	Less accumulated depreciation	10b	14,957,436	11,258,027	10c	10,288,346
	11	Investments—publicly traded securities			0	11	0
	12	Investments—other securities See Part IV, line 11			0	12	0
	13	Investments—program-related See Part IV, line 11			0	13	0
	14	Intangible assets			0	14	0
	15	Other assets See Part IV, line 11			1,613	15	20,559
	16	Total assets. Add lines 1 through 15 (must equal line 34)			16,032,649	16	14,977,465
Liabilities	17	Accounts payable and accrued expenses			2,615,413	17	1,599,551
	18	Grants payable			0	18	0
	19	Deferred revenue			0	19	0
	20	Tax-exempt bond liabilities			0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			0	23	0
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D			0	25	1,248,518
	26	Total liabilities. Add lines 17 through 25			2,615,413	26	2,848,069
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			13,417,236	27	12,129,396
	28	Temporarily restricted net assets			0	28	0
	29	Permanently restricted net assets			0	29	0
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			13,417,236	33	12,129,396
	34	Total liabilities and net assets/fund balances			16,032,649	34	14,977,465

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	36,210,786
2	Total expenses (must equal Part IX, column (A), line 25)	2	30,031,331
3	Revenue less expenses Subtract line 2 from line 1	3	6,179,455
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	13,417,236
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-7,467,295
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	12,129,396

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization Sarton Memorial Hospital Inc	Employer identification number 42-0758901
--	--

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

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

1

☐

2

☐

3

☒

4

☐

A church, convention of churches, or association of churches

section 170(b)(1)(A)(i).

A school described in

section 170(b)(1)(A)(ii). (Attach Schedule E)

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

5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in

section 170(b)(1)(A)(iv). (Complete Part II)

6

☐

A federal, state, or local government or governmental unit described in

section 170(b)(1)(A)(v).

7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in

section 170(b)(1)(A)(vi) (Complete Part II)

8

☐

A community trust described in

section 170(b)(1)(A)(vi) (Complete Part II)

9

☐

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

section 509(a)(2). (Complete Part III)

10

☐

An organization organized and operated exclusively to test for public safety See

section 509(a)(4).

11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See

section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

Part IIIPart III

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below.

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Sarton Memorial Hospital Inc	Employer identification number 42-0758901
--	--

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

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	☐ Yes ☐ No
4a	Was a correction made?	☐ Yes ☐ No
b	If "Yes," describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	☐ Yes ☐ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
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?		☐ Yes ☐ No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)	
		Yes	No	Amount	
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
	a Volunteers?				No
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?				No
	c Media advertisements?				No
	d Mailings to members, legislators, or the public?		No		
	e Publications, or published or broadcast statements?		No		
	f Grants to other organizations for lobbying purposes?	Yes		4,516	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No		
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No		
	i Other activities? If "Yes," describe in Part IV	Yes		0	
j	Total lines 1c through 1i			4,516	
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No		
b	If "Yes," enter the amount of any tax incurred under section 4912				
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

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

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

Part III-B

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

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).	2a	
a	Current year	2b	
b	Carryover from last year	2c	
c	Total	3	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	4	
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?		
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 Disclosures	Part II-B Line 1i	Wheaton Franciscan Healthcare and Franciscan Ministries are part of a controlled group of healthcare and housing organizations that are related through a common parent organization. Certain entities within this controlled group engage in limited lobbying activities that benefit each organization collectively. Wheaton Franciscan Healthcare employs one full time Vice President of Strategic Planning and Government Relations whose duties include a portion of lobbying activities. These lobbying activities approximate 20% of total annual salary. A benefits factor of 25% is added, and the total is allocated amongst the organizations receiving the benefit of these services. The lobbying activities include such things as preservation of Medicare and Medicaid funding, monitoring federal legislation that may impact the organization, participating in and coordinating visits with elected officials, coordinating advocacy activities in conjunction with relevant trade associations, and providing awareness on specific state related legislative issues when the need arises (e.g., state hospital assessment legislation in Wisconsin). The portion of direct expenses related to annual employee business travel to Washington DC or other locations, in order to lobby for issues important to healthcare providers and patients, have been included if applicable. Finally, any trade association dues containing a percentage portion allocable to lobbying activities, has been added or estimated, as appropriate. Lobbying expenses incurred by each organization directly, are reflected on their respective IRS Form 990, and can be summarized as follows: Wheaton Franciscan Services, Inc. #36-3262111 \$69,998 Wheaton Franciscan Healthcare - Southeast Wisconsin, Inc. #39-1566865 \$38,576 Wheaton Franciscan, Inc. #39-0816857 \$17,457 Wheaton Franciscan Healthcare - St. Francis, Inc. #39-0907740 \$9,611 Wheaton Franciscan Healthcare - All Saints, Inc. #39-1264986 \$10,004 Wheaton Franciscan Healthcare - Franklin, Inc. #56-2592868 \$1,838 Wheaton Franciscan Home Health and Hospice, Inc. #39-1559428 \$1,407 Marianjoy, Inc. #36-3483589 \$4,242 Marianjoy Rehabilitation Hospitals and Clinics, Inc. #36-2680776 \$12,138 Wheaton Franciscan Healthcare - Iowa, Inc. #42-1177001 \$4,243 Covenant Medical Center, Inc. #42-1264647 \$24,944 Sartori Hospital, Inc. #42-0758901 \$4,516 Mercy Hospital, Inc. #42-1178403 \$2,008 TOTAL LOBBYING EXPENSES \$200,982

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sartori Memorial Hospital Inc

Employer identification number
42-0758901

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

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

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2011

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

(ii)

related organizations

b

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

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

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		7,761,395	2,560,513	5,200,882
c Leasehold improvements		0		0
d Equipment		14,678,404	10,841,151	3,837,253
e Other		2,805,983	1,555,772	1,250,211
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				10,288,346

Schedule D (Form 990) 2011

Part XI

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

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

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sartori Memorial Hospital Inc

Employer identification number

42-0758901

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

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

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

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

☐ Yes ☐ No

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

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

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

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

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		<u>Fstvl of Trees</u> (event type)	<u>May Breakfast</u> (event type)	<u>0</u> (total number)	(Add col (a) through col (c))
Revenue	1	Gross receipts	131,508	11,917	143,425
	2	Less Charitable contributions	93,132	4,839	97,971
	3	Gross income (line 1 minus line 2)	38,376	7,078	45,454
Direct Expenses	4	Cash prizes			
	5	Non-cash prizes	339		339
	6	Rent/facility costs	3,659	418	4,077
	7	Food and beverages	12,735		12,735
	8	Entertainment	3,200		3,200
	9	Other direct expenses	28,607	1,053	29,660
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶			(50,011)
	11	Net income summary Combine lines 3 and 10 in column (d). ▶			-4,557

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

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

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

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

b If "No," Explain _____

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

b If "Yes," Explain _____

- 11

Does the organization operate gaming activities with nonmembers?

☐ Yes ☐ No
- 12

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

☐ Yes ☐ No

13

Indicate the percentage of gaming activity operated in

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

14

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

Name

Address

- 15a

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

☐ Yes ☐ No
- b

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

If "Yes," enter name and address

Name

Address

16

Gaming manager information

Name

Gaming manager compensation \$

Description of services provided

- ☐ Director/officer
- ☐ Employee
- ☐ Independent contractor

- 17

Mandatory distributions
- a

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

☐ Yes ☐ No
- b

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

Part IV

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

Identifier	ReturnReference	Explanation
------------	-----------------	-------------

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sartori Memorial Hospital Inc

Employer identification number
42-0758901

Part I

Charity Care and Certain Other Community Benefits at Cost

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

7 Charity Care and Certain Other Community Benefits at Cost						
Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			373,279		373,279	1 290 %
b Medicaid (from Worksheet 3, column a)			1,235,489	948,521	286,968	0 990 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			1,608,768	948,521	660,247	2 280 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			8,893		8,893	0 030 %
f Health professions education (from Worksheet 5)			119,589		119,589	0 410 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			35,474		35,474	0 120 %
j Total Other Benefits			163,956		163,956	0 560 %
k Total. Add lines 7d and 7j			1,772,724	948,521	824,203	2 840 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements			29,654		29,654	0 100 %
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			29,654		29,654	0 100 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	21,078,500	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	58,669,659	
6	Enter Medicare allowable costs of care relating to payments on line 5	69,522,560	
7	Subtract line 6 from line 5. This is the surplus or (shortfall).	7-852,901	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other		

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

Schedule H (Form 990) 2011

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)

Sartori Memorial Hospital Inc

Name of Hospital Facility:

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

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

Part V

Facility Information (continued)

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

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

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

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

Part VI Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
Schedule H Supplemental Information	Various - see the following references	Schedule H Part 1 Line 4 Wheaton Franciscan Healthcare's generous Payment for Services Policy specifies that for uninsured patients whose income is at or below 400% of the Federal Poverty Income Guidelines, the maximum out-of-pocket liability that Wheaton Franciscan Healthcare will charge for medically necessary services shall not exceed 15% of gross household income. This also applies to patients who are underinsured whose income is at or below 300% of the Federal Poverty Income Guidelines. Free or discounted care is available to those who meet requirements including income level, family size, and assets. Schedule H Part 1 Line 6a The Annual Report that outlines the Hospital's community benefit information is contained in a report prepared by the system, Wheaton Franciscan Services, Inc. which is the ultimate parent organization of an integrated health care system operated in Wisconsin, Illinois, and Iowa. For more information, please see our annual report at www.mywheaton.org. It is available under "About Us" by clicking on "Community Impact," and scrolling down to "For more information." Schedule H Part 1 Line 7 Community Benefit amounts are reported using total actual costs per the hospital's managerial accounting system in use, which includes all patient segments including inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, Medicare HMO, uninsured, and self-pay patients. Medicare is reported using the most recently filed cost report at the time the Annual Report and related community benefit information are published. Amounts are compiled using a software application recommended by the Catholic Health Association because it has the ability to provide the information in a format suitable for Schedule H presentation. After the data is entered by the Site Finance Directors, its accuracy is verified by employees who are trained in community benefit reporting, and then approved by the Chief Financial Officer and the President/CEO of the organization. After amounts are verified and approved, community benefit amounts become finalized. Wheaton Franciscan Healthcare complies with Illinois state law which requires reporting to the Attorney General's Office. Additionally, Wheaton Franciscan Healthcare voluntarily reports community benefit information in Wisconsin and Iowa by making the information readily available on certain websites. Finally, the information is compiled with the assistance of the software, for presentation in IRS Forms 990 Schedule H and Statement of Program Service. Accomplishments Part III Schedule H Part 1 Line 7 Column f Wheaton Franciscan Healthcare organizations follow guidelines established by the Catholic Health Association, who recommends that bad debt expense not be included in community benefit amounts. As a result of this applied methodology, a total amount of \$1,078,500 has not been included in the calculation of the percentages reported on Schedule H Line 7 Column f. Schedule H Part 1 Line 7g In the Southeast Wisconsin and Marianjoy regions, physician clinics are operated by a separate legal entity and are therefore not included in Community Benefit amounts on hospital 990's. In the Iowa region, clinic operations are included as a department of the hospital, Covenant Medical Center, Inc. Clinic operations for the Iowa clinics are included only in the community benefit reporting of charity care, government sponsored health care, and Medicare shortfall. Therefore, for all entities, including Covenant Medical Center, Inc., costs related to physician clinics are not included in subsidized health services reported on Schedule H Part I Line 7g. Schedule H Part III Section A Lines 1-4 As part of an annual process, affiliates of Wheaton Franciscan Healthcare complete a consolidated audit each year, which for June 30, 2012, contained the following footnote disclosure related to bad debt reporting: "In July 2011, the FASB issued ASU 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered, even though they do not assess the patient's ability to pay, must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations. All other entities would continue to present the provision for bad debts as an operating expense. In addition, there are enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The disclosure requirements are applicable for WFSI effective for fiscal years ending after

Identifier	ReturnReference	Explanation
Schedule H Supplemental Information	Various - see the following references	r December 15, 2012, with early adoption permitted WFSI has elected to early adopt the provisions of this ASU The provision for uncollectible accounts on the accompanying consolidated statements of operations for the years ended June 30, 2012 and June 30, 2011 have been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the retrospective application of ASU 2011-07 "It is the practice of Wheaton Franciscan Healthcare to record actual bad debt expense for each organization at the time the amount due is determined to be uncollectible, and thus written off With the onset of presumptive care effective July 1, 2011, practices are now in place to retroactively determine a patient's eligibility under Wheaton's Charity Care Policy, and remove those amounts from bad debt expense in order to correctly show these patients as charity care Wheaton Franciscan Healthcare's position is therefore that none of the patients resulting in uncollectible accounts would have qualified as charity care patients as this determination is made at the time of admission, and corrective action is taken based on presumptive care Bad debt expense is only determined after many months of collection efforts, and for this reason Part III Section A Line 3 is reported as none (ie at zero) Additionally, since the organization follows guidelines established by the Catholic Health Association and the related state counterpart in Wisconsin, Iowa, or Illinois as appropriate, Wheaton Franciscan Healthcare does not include any form of bad debt expense in its annual reporting of community benefit amounts Schedule H Part III Section B Line 6 -8 Schedule H Part III Section B Line 6 reports "allowable costs of care" as taken from the most recently filed Medicare cost report available at the time the Community Benefit Report is published The Medicare cost report calculates its allowable total costs based on applicable Medicare regulations Medicare and Medicaid cost is determined using individual cost center cost-to-charge ratios This cost to charge ratio is determined using all payer cost and all payer charges The cost to charge ratio is applied to the actual Medicare and Medicaid charges to determine the Medicare and Medicaid cost This organization has adopted the cost and charge practices as recommended by the Catholic Health Association and the Wisconsin, Iowa, or Illinois Hospital Association as applicable, and therefore, does not count any Medicare shortfall numbers in its annual reporting of Community Benefit amounts Schedule H Part III Section C Line 9b Wheaton Franciscan Healthcare has a policy that outlines all collection practices for patients who are known to qualify for government programs and for our charity care program We make every attempt to assist the patient in enrolling in government insurance plans or our own charity care program allowing for free or discounted care If the patient does not qualify for any type of aid or charity care, declines to establish a reasonable payment plan or pay the liability, the patient will be moved into a bad debt status, and the account is sent to a collection agency This does not occur before the patient has received several notices and a final written warning Schedule H Part V Section A and Section C Affiliates of Wheaton Franciscan Healthcare have defined and reported "hospital facilities" to include only those bricks and mortar buildings that actually have inpatient beds, in addition to meeting all other criteria under Wisconsin, Iowa, or Illinois state laws, as applicable, required for hospital licensing Although there are other facilities within our system built to hospital standards, performing hospital-based billing, and conforming to other "hospital" standards under state law, until there is further guidance from the IRS, these facilities have been reported in Section C, due to their lack of having state certified inpatient

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
Schedule I Disclosures	Schedule I Part 1 Line 2	Wheaton Franciscan Healthcare and Franciscan Ministries maintain files and records to manage the decision-making and award process for organizations that it provides community sponsorship dollars to Decisions are made by a Community Sponsorship Committee with leaders who hold positions in Diversity, Strategic Planning, Mission Services, Marketing and Philanthropy The Committee generally strives to sponsor organizations that have missions that align with the mission, vision and values of Wheaton Franciscan Healthcare and/or Franciscan Ministries The committee also looks for certain other criteria when deciding which organizations will receive contributions, including but not limited to supporting healthcare or housing related activities within the Southeast Wisconsin, Iowa, and Illinois markets, supporting programming that work to further diversity and cultural competency, aligning with other WFH business relationships or service lines, supporting student academic achievement or workforce development initiatives, and finally, supporting environmental "green" initiatives Leaders periodically meet with representatives of sponsored organizations to discuss objectives including how dollars will be spent Currently, confirmation letters are sent to sponsored organizations when award dollars are given, that confirm the dollar amount awarded and the intended purpose, with a request that the recipient acknowledge receipt of the funds in written correspondence Files are maintained in the Organizational Change and Leadership Performance Department to include copies of letters of request, award and denial letters along with acknowledgement receipts from sponsored organizations

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization Sarton Memorial Hospital Inc	Employer identification number 42-0758901
--	--

Part I

Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Rose Fowler	(i) (ii)	173,685	53,700	231	24,246	17,354	269,216	
(2) Jack Dusenbery	(i) (ii)	381,642	206,600	10,735	46,586	27,500	673,063	
(3) Paul Franke MD	(i) (ii)	298,208	102,200	1,059	13,185	21,181	435,833	
(4) Diane Heindl MD	(i) (ii)	181,157	1,800	353	15,429	16,059	214,798	
(5) Christopher Hyers	(i) (ii)	176,470	67,800	14,611	19,223	27,338	305,442	
(6) Michele Panicucci	(i) (ii)	247,640	129,400	65,375	49,061	23,050	514,526	54,030
(7) Carl Vanderkooi MD	(i) (ii)	195,728	1,500	1,351	16,949	12,122	227,650	
(8) Nancy Weber	(i) (ii)	200,958	87,600	49,605	237,991	14,496	590,650	42,720

Part IIISupplemental 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 Disclosure	Various - See the following references	Schedule J Part 1 Line 3 The compensation of the filing organization's CEO and/or the Executive Director is determined at the parent organization level, using the process described in Schedule O related to Part VI Section B Line 15. The parent organization, Wheaton Franciscan Services, Inc. (FEIN 36-3262111) uses a compensation committee, independent compensation consultants, and compensation surveys and studies to determine appropriate levels of compensation that are reflective of fair market value. All compensation is approved by the board and/or compensation committee. Schedule J Part 1 Line 4c Nancy Weber received a 2011 taxable payout of \$42,720 related to a grandfathered option-based compensation program. Michele Panicucci received a 2011 taxable payout of \$54,030 related to a grandfathered option-based compensation program.

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sartori Memorial Hospital Inc

Employer identification number

42-0758901

Part I

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

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

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

2

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

\$

3

Enter the amount of tax, if any, on line 2, above, reimbursed by the organization

\$

Part II

Loans to and/or From Interested Persons.

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

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

Part III

Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b)Relationship between interested person and the organization	(c)Amount of grant or type of assistance
(1) Wesley Lyons	son of Ann Jones-Lyons	1,800

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No

Part V

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

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization Sarton Memorial Hospital Inc	Employer identification number 42-0758901
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Identifier	Return Reference	Explanation
Schedule O Disclosures	Various - See the following references	IRS Form 990 Part I Line 6 Sartori Memorial Hospital, Inc received donated services through volunteers assisting in such areas as surgical waiting area, information desk, ambulatory surgery, medical records, engineering, occupational health, dietary, community screenings, materials, laundry, surgery, administration, human resources, public relations, wellness, and medical runner Total estimated hours were 10,225 The total estimated value is \$176,075 Part V Line 1a and Part VII Section B Line 1-2 Effective for calendar year 2011 1099-MISC reporting, Wheaton Franciscan Healthcare streamlined their reporting of IRS Forms 1099-MISC so that most 1099-MISC were reported using the FEIN number of the parent organization or of a related organization The actual expense continues to be either paid by, or transferred to, the individual entity, which is normally a subsidiary or related organization to the organization(s) issuing the 1099 For this reason, the reader may notice on some 990's that there are top 5 independent contractors reported, but possibly no 1099s are reported Likew ise on the 990's of the organization(s) reporting number of 1099's, there may be a disproportionate share of 1099's reported as compared with the actual expenses of the organization IRS Form 990 Part VI Section A Lines 6-7b Sartori Memorial Hospital, Inc has one member which holds several reserved powers over Sartori Memorial Hospital, Inc These reserved powers include, but are not limted to, the election of members of the governing body and election of officers, approval of certain financial expenditures in accordance with policy, and approval of budgets and strategic plans, these approvals are based on recommendations from the governing body IRS Form 990 Part VI Section B Line 10 Wheaton Franciscan Healthcare and Franciscan Ministries are part of a controlled group of health care and housing providers, controlled under a common parent organization Wheaton Franciscan Services, Inc Some of these organizations are exempt through the Catholic Group Ruling and other organizations have a stand-alone exemption (IRS determination) letter As such, these related affiliates have certain policies and procedures that were adopted at the parent level, but are applicable to the entire controlled group of organizations All policy and procedure matters are handled in a manner to ensure that all activities are consistent with the organization's overall exempt purposes Please see Schedule R for a full listing of all related affiliate organizations IRS Form 990 Part VI Section B Line 11 Affiliates of Wheaton Franciscan Healthcare use a multiple-level review process on all Federal and State information and tax returns to ensure accurate and timely filing for all organizations Under the direction of the Tax Manager, the Accounting Department prepares Forms 990, 990-T, and associated state filings When complete, the return is first review ed by the Controller, who focuses on the income statement and balance sheet items, and all schedules where transactions of this type mght be reported If discrepancies are found, the item will be corrected prior to the next step in the review process Once cleared through Accounting, the return is provided to the Tax Department, where the Tax Manager and Vice President of Treasury and Risk Management focus their review on consistency of reporting between all returns, accuracy of tax related information, and explanation and understanding of any outliers Again, any problems or questions are investigated and corrected Depending on the level of complexity of the year in question, as well as the individual issues specific to that filing, certain returns may be selected for outside review by a public accounting firm This decision will vary from year to year based on many factors, and sometimes outside review is not utilized at all Also, certain schedules, such as Schedule K, Schedule H, and Schedule J, may be selected for review by outside bond counsel, a community benefit associate, and/or the compensation committee respectfully and as needed This decision will vary from year to year, again based on many factors The Accounting Department, upon completion of all levels of review, will schedule an appointment with the Senior Vice President and CFO, who will perform a review prior to signing the return Once signed, the return is cleared to provide to members of the Board of Directors The parent organization, Wheaton Franciscan Services, Inc has designated that the Audit Committee review the parent return in certain years, where the 990 is explained at a high level by management representatives, and any questions or concerns that the Committee has can be addressed At a later date and prior to efilng, the full board is provided access to all 990's throughout the system via an online portal A similar process exists at the regional holding company levels - a 990 is selected for review in certain years by the Finance and Operations Committee Similarly, the 990 is explained at a high level, and Committee questions or concerns are addressed Members of the full board are provided access to all 990's within that region prior to efilng via an online portal IRS Form 990 Part VI Section B Line 12 As part of an annual process, conflict of interest questions are sent out to all Officers, Directors, and other individuals in key positions using softw are designed to capture this information The responses are analyzed in order to determine information on potential conflicts, as well as information on business and family relationships for purposes of answering certain questions on IRS Form 990 Responses to these questions are reviewed by the Vice President of Compliance and the Manager of Tax Compliance, and follow up action, if any, are documented within the softw are After an approximate 3 and again at 6 weeks, names of all non responders are compiled, and these individuals receive either an email or letter reminding them to complete the information Responses to questions continue to be reviewed and documented throughout this time period Approximately 1 month prior to the filing deadline of IRS Form 990, responses to date are compiled Any response requiring disclosure is entered into the information return The remaining non responder names are determined, and a letter, along with the actual Conflict of Interest Policy, is sent to the Chairperson of each board The letter outlines the current non responders, as well as any Officer or Board member that has disclosed a financial interest that might pose a potential conflict of interest Depending upon the nature of the financial interest and work done by the board, several actions may be considered - the board member with a financial interest would need to voluntarily excuse him or herself from the deliberations and/or voting on such a matter, or, if necessary, the board would determine that the subject's financial interest was an actual conflict of interest, in which case the board member would be informed by the board Chairperson that he or she would not be allowed to vote in any such matters due to this real or perceived conflict of interest Minutes of the board meeting would document this decision process, and reflect whatever action(s) are ultimately taken The board chairperson is also required to discuss with non responders the repercussions of not responding, and require the board member to complete the annual conflict of interest disclosure questions before being allowed to continue in any board matters If the board member refuses, the Chairperson has the authority to determine the appropriate action, including, but not limited to prohibiting them from participating in deliberations, preventing them from voting, and/or removing them as a board member
Schedule O Disclosures (cont'd)	Various - See the following references	IRS Form 990 Part VI Section B Line 15 The compensation of the CEO of Wheaton Franciscan Services Inc (WFSI) and other officers and key employees of the filing organization is reviewed and approved on an annual basis by the Executive Committee of the WFSI Board of Directors, an independent board, acting in a manner consistent with its conflicts of interest policy The board's decision is informed by an opinion on market comparable compensation data provided to the board by an independent compensation expert The organization maintains contemporaneous documentation of the substantiation of the deliberation and decision by the board Compensation for the organization's President and other officers and key management employees, is reviewed and approved, as part of the Wheaton Franciscan Services, Inc Executive Compensation Plan, on an annual basis by the Executive Committee of the Wheaton Franciscan Services, Inc Board of Directors (the "Executive Committee of the WFSI Board"), an independent board, acting in a manner consistent with its conflicts of interest policy The Executive Committee of the WFSI Board's decision is informed by an opinion on market comparable compensation data provided to the board committee by an independent compensation expert The Executive Committee of the WFSI Board maintains contemporaneous documentation of the substantiation of the deliberation and decisions it makes For those officers and key employees that are paid for their services other than pursuant to the WFSI Executive Compensation Plan, the compensation terms are approved by the President of Covenant Medical Center, Inc and Wheaton Franciscan Services - low a, Inc In such case, decisions are made in accordance with the organization's conflict of interest requirements Also, in such case, the compensation paid pursuant to a contract is determined with reference to market comparable information Organizational policy requires that contemporaneous documentation of the same be maintained IRS Form 990 Part VI Section C Line 19 Affiliates of Wheaton Franciscan Healthcare and Franciscan Ministries provide upon request certain documents including our financial statements, conflict of interest policy, and governing documents that support our tax exempt status, including, but not limited to, articles of incorporation and bylaws Requests for information are considered on a case-by-case basis, and this process is outlined in our Public Disclosure Policy As part of the requirements for tax exempt bond financing, the consolidated financial statements of Wheaton Franciscan Services, Inc (#36-3262111), the parent corporation of Wheaton Franciscan Healthcare and Franciscan Ministries affiliates are required to be provided each quarter to the Municipal Securities Rule Making Board (MSRB) The vehicle used to accomplish this is through an external website (http //emma.msrb.org/) referred to as "EMMA" (Electronic Municipal Market Access System) The financial statements are uploaded each quarter to the website, and along with other information provided at the bond's inception, are available for view ing by the general public IRS Form 990 Part VII Column B Wheaton Franciscan Healthcare and Franciscan Ministries are a controlled group of related healthcare and housing organizations As such, many employees who are at the Director level or above, or who are Officers and/or Directors of organizations where Wheaton has common boards and other overlaps, spend significant time devoted to tasks not only for the filing organization, but also for related organizations While there is no official time study tracking that is done, it is estimated that for each employee, tasks devoted to related organizations could approximate up to 80% or more of total hours IRS Form 990 Part VIII Lines 2a and 2b MEDICARE MEDICAID OTHER REV 40,689,076 3,904,980 45,289,928 CONT ALLOW (24,064,480) (2,309,498) (26,785,533) CHARITY (1,159,253) OTHER DEDUCTS (151,884) TOTAL 16,624,596 1,595,482 17,193,258 IRS Form 990 Part XI Line 5 Certain related organizations utilize receivable/payable accounts throughout the year These intercompany balances are settled through the equity account at the end of each fiscal year to bring the receivable/payable balances to zero Disclosure Statement Related to Forms 5471 Information return of US persons with respect to certain Foreign corporations filed on behalf of the taxpayer Under the constructive ownership rules of Internal Revenue Code Sections 958(a) and (b), the taxpayer is required to file Forms 5471, Information Return of US persons with respect to certain foreign corporations, as a category 5 filer with respect to certain controlled foreign corporations (cfc s) These filing requirements are or will be satisfied through the filing of Forms 5471 for these cfc s by other US taxpayers identified below who have the same filing requirement Taxpayer name Wheaton Franciscan Services, Inc Address 26 w 171 Roosevelt Road, Wheaton IL 60187 FEIN number of US Tax return with which form 5471 was filed 36-3262111 IRS Service Center where US Tax return was or will be filed e-filed

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sarton Memorial Hospital Inc

Employer identification number
42-0758901

Part I

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

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

Part II

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

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

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) KENOSHA SNR(4) PO BOX 667 WHEATON, IL 60187 39-1801541	HOUSING	WI	FR SNRS						0			
(2) STARVED ROCK PO BOX 667 WHEATON, IL 60187 36-3811835	HOUSING	IL	SRLM INC						0			

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
See Additional Data Table							

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

No

1b

Yes

1c

Yes

1d

Yes

1e

Yes

1f

No

1g

No

1h

Yes

1i

Yes

1j

Yes

1k

Yes

1l

Yes

1m

Yes

1n

Yes

1o

Yes

1p

Yes

1q

Yes

1r

Yes

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Sartori Healthcare Foundation Inc	C	285,375	Book value
(2) Sartori Healthcare Foundation Inc	B	89,170	Book value
(3)			
(4)			
(5)			
(6)			

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule R Disclosures	Various - See the following references	Part II (1) Wheaton Franciscan Healthcare's 50% interest in Affinity Healthcare was sold to Ministry Healthcare on February 8, 2012. As such, this is the last fiscal year these Affinity organizations will be reported as related organizations. (2) Effective June 30, 2012, Clara Pfaender Fund Inc. was merged with Wheaton Franciscan Services, Inc. (FEIN #36-3262111). (3) Upendo Village NFP joined the Wheaton Franciscan Healthcare system under OSF Services, Inc. effective November 17, 2011. (4) Franciscan Seniors, Kenosha, Inc. sold its interest in Kenosha Seniors Limited Partnership effective August 31, 2011 and subsequently dissolved effective March 29, 2012. (5) Starved Rock - LaSalle Manor, Inc. was dissolved effective June 12, 2012. (6) Synergon Health System Inc. is listed with no direct controlling entity because of the two organizations with an interest, Rush Presbyterian and OSF Services Inc, neither can appoint a majority of the board, therefore neither organization "controls". (7) UHS, Inc. is listed without a direct controlling entity because of the two organizations with an interest, KHMC Community Board and OSF Services Inc, neither can appoint a majority of the board, and since KHMC is not an entity (it is a community board), neither body "controls". Part IV (8) Covenant Regional Services, Inc. was dissolved effective September 30, 2011.

Software ID:

Software Version:

EIN: 42-0758901

Name: Sartori Memorial Hospital Inc

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
WHEATON FRANCISCAN SERVICES INC 26 W 171 ROOSEVELT RD WHEATON, IL 60187 36-3262111	PARENT CORP	IL	501(c)(3)	11 - III-FI	NA		No
AFFINITY HEALTH SYSTEM (1) 1570 MIDWAY PLACE MENASHA, WI 54942 39-1638765	HOLDING CO	IL	501(c)(3)	11 - I	WFSIMHC		No
AUXILIARY OF ST ELIZABETH HOSP INC (1) 1506 SOUTH ONEIDA STREET APPLETON, WI 54915 39-6077331	AUXILIARY	WI	501(c)(3)	11 - III-O	ST ELIZ HOSP		No
CALUMET MEDICAL CENTER INC (1) 614 MEMORIAL DRIVE CHILTON, WI 53014 39-0905385	HOSPITAL	WI	501(c)(3)	3	AFF HLTH SYS		No
MERCY MEDICAL CENTER OF OSHKOSH INC (1) 500 SOUTH OAKWOOD ROAD OSHKOSH, WI 54904 39-0806268	HOSPITAL	WI	501(c)(3)	3	AFF HLTH SYS		No
NETWORK HEALTH SYSTEM INC (1) 1570 MIDWAY PLACE MENASHA, WI 54942 39-1127163	MED GROUP	WI	501(c)(3)	3	AFF HLTH SYS		No
ST ELIZABETH HOSPITAL COMM FNDN INC(1) 1506 SOUTH ONEIDA STREET APPLETON, WI 54915 39-1256677	FOUNDATION	WI	501(c)(3)	11 - I	AFF HLTH SYS		No
ST ELIZABETH HOSPITAL INC (1) 1506 SOUTH ONEIDA STREET APPLETON, WI 54915 39-0816818	HOSPITAL	WI	501(c)(3)	3	AFF HLTH SYS		No
WFH - SOUTHEAST WISCONSIN INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1568865	HOLDING CO	IL	501(c)(3)	11 - III-FI	WFSI		No
WFH - ALL SAINTS INC 3801 SPRING STREET RACINE, WI 53405 39-1264986	HOSPITAL	WI	501(c)(3)	3	WFH-SE WI		No
WFH - ALL SAINTS FOUNDATION INC 3805B SPRING STREET RACINE, WI 53405 39-1570877	FOUNDATION	WI	501(c)(3)	11 - I	WFH-AS INC		No
VOLUNTEERS IN PTNRSHIP WITH WFH-AS INC 3801 SPRING STREET RACINE, WI 53405 93-0838390	FOUNDATION	WI	501(c)(3)	11 - III-O	WFH-AS INC		No
WFH - CIRCLE OF LIFE FOUNDATION INC 4300 WEST BROWN DEER RD STE250 BROWN DEER, WI 53223 56-2426294	FOUNDATION	WI	501(c)(3)	11 - I	WFH-PE		No
WHEATON FRAN HOME HEALTH & HOSPICE INC 3070 NORTH 51ST STREET STE 406 MILWAUKEE, WI 53210 39-1559428	HOME HLTH	WI	501(c)(3)	3	WFH-SE WI		No
WHEATON FRANCISCAN MEDICAL GROUP INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1791586	MED GROUP	WI	501(c)(3)	3	WFH-SE WI		No
WHEATON FRANCISCAN -ELMBROOK FNDN 19333 WEST NORTH AVENUE BROOKFIELD, WI 53045 39-2028808	FOUNDATION	WI	501(c)(3)	11 - I	WF INC		No
WHEATON FRANCISCAN LABORATORIES INC 3237 SOUTH 16TH STREET MILWAUKEE, WI 53215 39-1701402	LABORATORY	WI	501(c)(3)	9	WFH-SE WI		No
WFH PHARMACY ENT AND FRAN WOODS INC 4300 WEST BROWN DEER RD 2ND FLR BROWN DEER, WI 53223 39-1613624	PHARMACY	WI	501(c)(3)	9	WFH-SE WI		No
WFH - ST FRANCIS INC 3237 SOUTH 16TH STREET MILWAUKEE, WI 53215 39-0907740	HOSPITAL	WI	501(c)(3)	3	WFH-SE WI		No
WF - ST JOSEPH FOUNDATION INC 5000 WEST CHAMBERS STREET MILWAUKEE, WI 53210 39-1636804	FOUNDATION	WI	501(c)(3)	11 - I	WF INC		No

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
WHEATON FRANCISCAN INC 5000 WEST CHAMBERS STREET MILWAUKEE, WI 53210 39-0816857	HOSPITAL	WI	501(c) (3)	3	WFH-SE WI		No
WFH-FNDN FOR ST FRANCIS AND FRANKLIN INC 3237 SOUTH 16TH STREET MILWAUKEE, WI 53215 32-0135258	FOUNDATION	WI	501(c) (3)	11 - I	WFH-SFH		No
WFH - TERRACE AT ST FRANCIS INC 3200 SOUTH 20TH STREET MILWAUKEE, WI 53215 39-1486775	NURSING HOME	WI	501(c) (3)	9	WFH-SE WI		No
WFH - FRANKLIN INC 10101 SOUTH 27TH STREET FRANKLIN, WI 53132 56-2592868	HOSPITAL	WI	501(c) (3)	3	WFH-SE WI		No
WHEATON WAY CONDO OWNERS ASSCN INC 10101 SOUTH 27TH STREET FRANKLIN, WI 53132 30-0659830	CONDO ASSCN	WI	N/A	N/A	WFH-FRKLN		No
METRO PHYSICIANS INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 94-3436893	MED GROUP	WI	501(c) (3)	3	WFMG		No
MARIANJOY INC 26 W 171 ROOSEVELT RD WHEATON, IL 60187 36-3483589	HOLDING CO	IL	501(c) (3)	11 - III-FI	WFSI		No
MARIANJOY FOUNDATION INC 26 W 171 ROOSEVELT RD WHEATON, IL 60187 35-2165613	FOUNDATION	IL	501(c) (3)	7	MJ HOSP		No
MARIANJOY REHAB CENTER AUXILIARY INC 26 W 171 ROOSEVELT RD WHEATON, IL 60187 36-3896976	AUXILIARY	IL	501(c) (3)	11 - I	MJ HOSP		No
MARIANJOY REHAB HOSPITAL & CLINICS INC 26 W 171 ROOSEVELT RD WHEATON, IL 60187 36-2680776	REHAB HOSPITA	IL	501(c) (3)	3	MARIANJOY		No
REHABILITATION MEDICINE CLINIC INC 26 W 171 ROOSEVELT RD WHEATON, IL 60187 36-3236791	MEDICAL GRP	IL	501(c) (3)	3	MARIANJOY		No
OSF SERVICES INC PO Box 667 WHEATON, IL 601870667 39-1471463	HOLDING CO	WI	501(c) (3)	11 - III-FI	WFSI		No
CANTICLE MINISTRIES INC PO Box 667 WHEATON, IL 601870667 36-4091836	HOUSING/ADVCY	IL	501(c) (3)	7	OSF SVCS INC		No
CLARA PFAENDER FUND INC (2) PO Box 667 WHEATON, IL 601870667 36-3353311	SPONSORSHIP	IL	501(c) (3)	11 - III-O	OSF SVCS INC		No
FRANCISCAN SISTERS CHARITABLE FUND OF CO 2626 OSCEOLA STREET DENVER, CO 80212 84-0733072	AUXILIARY	CO	501(c) (3)	7	OSF SVCS INC		No
RUSH OAK PARK HOSPITAL INC 520 SOUTH MAPLE AVENUE OAK PARK, IL 60304 36-2183812	HOSPITAL	IL	501(c) (3)	3	OSF SVCS INC		No
SET MINISTRY INC 2977 NORTH 50TH STREET MILWAUKEE, WI 53210 39-1618277	SOCIAL WORK	WI	501(c) (3)	9	OSF SVCS INC		No
ST CATHERINE'S HOSPITAL INC 9555 76TH STREET PLEASANT PRAIRIE, WI 53158 39-0855075	HOSPITAL	WI	501(c) (3)	3	OSF SVCS INC		No
SYNERGON HEALTH SYSTEM INC (6) 520 SOUTH MAPLE AVENUE OAK PARK, IL 60304 36-3739067	HOSPITAL	IL	501(c) (3)	3	NONE		No
UHS INC (7) 6308 EIGHTH AVENUE KENOSHA, WI 53143 39-1956749	HOSPITAL	WI	501(c) (3)	3	NONE		No

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
UPENDO VILLAGE NFP (3) PO Box 667 WHEATON, IL 601870667 33-1007368	HIV SUPPORT	IL	501(c)(3)	9	OSF SVCS INC		No
WFH - IOWA INC 3421 WEST NINTH STREET WATERLOO, IA 50702 42-1177001	HOLDING CO	IA	501(c)(3)	11 - III-FI	WFSI		No
COVENANT FOUNDATION INC 3421 WEST NINTH STREET WATERLOO, IA 50702 42-1295784	FOUNDATION	IA	501(c)(3)	9	COV MED CTR		No
COVENANT MEDICAL CENTER INC 3421 WEST NINTH STREET WATERLOO, IA 50702 42-1264647	HOSPITAL	IA	501(c)(3)	3	WFH-IOWA		No
MERCY HOSPITAL OF FRANCISCAN SISTERS INC 3421 WEST NINTH STREET WATERLOO, IA 50702 42-1178403	HOSPITAL	IA	501(c)(3)	3	WFH-IOWA		No
NE IOWA REAL ESTATE INVESTMENTS LTD 3421 WEST NINTH STREET WATERLOO, IA 50702 42-1207432	HOLDING CO	IA	501(c)(2)	N/A	WFH-IOWA		No
SARTORI HEALTH CARE FOUNDATION INC 3421 WEST NINTH STREET WATERLOO, IA 50702 42-1240996	FOUNDATION	IA	501(c)(3)	11 - I	SARTORI HOSP	Yes	
FRANCISCAN MINISTRIES INC 26W171 ROOSEVELT ROAD WHEATON, IL 601870667 36-3259684	HOLDING CO	IL	501(c)(3)	11 - III-FI	WFSI		No
ASSISI HOMES - BATAVIA APARTMENTS INC 1259 EAST WILSON STREET BATAVIA, IL 60510 36-3914084	HOUSING	IL	501(c)(3)	9	FMI		No
ASSISI HOMES - COLONY PARK INC 550 EAST THORNHILL DRIVE CAROL STREAM, IL 60188 36-4039278	HOUSING	IL	501(c)(3)	9	FMI		No
ASSISI HOMES - CONSTITUTION HOUSE INC 401 NORTH CONSTITUTION DRIVE AURORA, IL 60506 36-4049150	HOUSING	IL	501(c)(3)	9	FMI		No
ASSISI HOMES - JEFFERSON COURT INC 415 EAST KNAPP STREET MILWAUKEE, WI 53202 39-1771526	HOUSING	WI	501(c)(3)	9	FMI		No
ASSISI HOMES - KENOSHA INC 1860 27TH AVENUE KENOSHA, WI 53140 39-1814815	HOUSING	WI	501(c)(3)	9	FMI		No
ASSISI HOMES - SAXONY INC 1876 22ND AVENUE KENOSHA, WI 53140 39-1790498	HOUSING	WI	501(c)(3)	9	FMI		No
ASSISI HOMES OF GURNEE INC 3495 WEST GRAND AVENUE GURNEE, IL 60031 36-3942336	HOUSING	IL	501(c)(3)	9	FMI		No
ASSISI HOMES OF ILLINOIS INC 2126 WEST ROOSEVELT ROAD WHEATON, IL 60187 36-3803443	HOUSING	IL	501(c)(3)	9	FMI		No
Assisi HOMES OF NEENAH INC 210 BYRD AVENUE NEENAH, WI 54946 36-3767250	HOUSING	WI	501(c)(3)	9	FMI		No
CANTICLE PLACE INC 26W171 ROOSEVELT ROAD WHEATON, IL 601870667 36-3957850	HOUSING	IL	501(c)(3)	9	FMI		No
CATHERINE MARIAN HOUSING INC 806 SOUTH WISCONSIN AVENUE RACINE, WI 53403 39-1657098	HOUSING	WI	501(c)(3)	9	FMI		No
CLARE GARDENS INC 2626 OSCEOLA STREET DENVER, CO 80212 23-7200039	HOUSING	CO	501(c)(3)	9	FMI		No

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
CLARE OF ASSISI HOMES-WESTMINSTER INC 2451 WEST 82ND PLACE WESTMINSTER, CO 80031 74-2740978	HOUSING	CO	501(c)(3)	9	FMI		No
DAYSPRING VILLA INC 3777 WEST 26TH AVENUE DENVER, CO 80211 36-3933908	HOUSING	CO	501(c)(3)	9	FMI		No
FRANCIS HEIGHTS INC 2626 OSCEOLA STREET DENVER, CO 80212 84-0626174	HOUSING	CO	501(c)(3)	9	FMI		No
FRANCISCAN MINISTRIES COMMUNITY FNDN INC 26W171 ROOSEVELT ROAD WHEATON, IL 601870667 36-4456204	FOUNDATION	IL	501(c)(3)	11 - II	FMI		No
FRANCISCAN SENIORS KENOSHA INC (4) 1920 27TH AVENUE KENOSHA, WI 53140 39-1821568	HOUSING	WI	501(c)(3)	9	FMI		No
MARIAN HOUSING CENTER INC 4105 SPRING STREET RACINE, WI 53405 39-1515867	HOUSING	WI	501(c)(3)	9	FMI		No
MARIAN PARK INC 2126 WEST ROOSEVELT ROAD WHEATON, IL 60187 36-2750105	HOUSING	IL	501(c)(3)	9	FMI		No
RIDGEWAY PLACE INC 155 EAST RIDGEWAY AVENUE WATERLOO, IA 50702 42-1416064	HOUSING	IA	501(c)(3)	9	FMI		No
STARVED ROCK-LASALLE MANOR INC (5) 1135 10TH STREET LASALLE, IL 61301 36-3796933	HOUSING	IL	501(c)(3)	9	FMI		No
VILLA MARIA INC 2461 WEST 82ND PLACE WESTMINSTER, CO 80031 84-1347868	HOUSING	CO	501(c)(3)	9	FMI		No
VILLA ST CLARE INC 130 BYRD AVENUE NEENAH, WI 54946 39-1769395	HOUSING	WI	501(c)(3)	9	FMI		No
ASSISI HOMES LASALLE MANOR INC 26W171 ROOSEVELT ROAD WHEATON, IL 601890795 80-0623447	HOUSING	IL	501(c)(3)	9	FMI		No

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income (\$)	(g) Share of end-of-year assets (\$)	(h) Percentage ownership
NETWORK HEALTH INSURANCE CORPORATION 1570 MIDWAY PLACE MENASHA, WI 54942 39-2020474	INSURANCE CO	WI	NETWK HLTH SY	C CORP			
NETWORK HEALTH PLAN 1570 MIDWAY PLACE MENASHA, WI 54942 39-1442058	HLTH MAINT ORG	WI	NETWK HLTH SY	C CORP			
WHEATON FRANCISCAN ENTERPRISES INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1985204	HOLDING CO	WI	WF HOLDINGS INC	C CORP			
WHEATON FRANCISCAN HOLDINGS INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1836357	HOLDING CO	WI	WFH-SE WI	C CORP			
WHEATON FRANCISCAN MED GRP-SUSSEX INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1361100	MED GROUP	WI	WF HOLDINGS INC	C CORP			
WHEATON FRANCISCAN PROVIDER NETWORK INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1952140	ADMIN SUPPORT	WI	WFH-SE WI	C CORP			
COVENANT REGIONAL SERVICES INC (8) 3421 WEST NINTH STREET WATERLOO, IA 50702 42-1189805	PHARMACY	IA	WFH-IOWA	C CORP			
WHEATON FRANCISCAN INSURANCE COMPANY 98-0691609	FINANCIAL	UK	WFSI				



WHEATON FRANCISCAN SERVICES, INC.

Consolidated Financial Statements and
Supplementary Information

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

WHEATON FRANCISCAN SERVICES, INC.

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KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors
Wheaton Franciscan Services, Inc.:

We have audited the accompanying consolidated balance sheets of Wheaton Franciscan Services, Inc. (WFSI) as of June 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of WFSI's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Franciscan Ministries, Inc. (FMI), a wholly owned subsidiary, which statements reflect total assets constituting 4.7% and total revenues constituting 1.6% in both 2012 and 2011, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for FMI, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wheaton Franciscan Services, Inc. as of June 30, 2012 and 2011, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As described in note 3 to the consolidated financial statements, WFSI adopted the provisions of ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*. As a result of this adoption, WFSI has presented on a separate line the provision for uncollectible accounts as a deduction from net patient service revenue (net of contractual allowances and discounts) and included enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts.



Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 through 6 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 the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based upon our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 25, 2012

WHEATON FRANCISCAN SERVICES, INC.

Consolidated Balance Sheets

June 30, 2012 and 2011

(In thousands)

Assets	2012	2011
Current assets		
Cash and cash equivalents	\$ 59,870	48,559
Short-term investments	41,353	66,056
Assets whose use is limited – required for current liabilities	56,951	67,870
Patient accounts receivable, net of uncollectible accounts of approximately \$55,626 in 2012 and \$55,555 in 2011	201,437	185,136
Securities lending collateral	4,514	8,437
Inventories of supplies	25,309	24,254
Prepaid expenses and other	42,225	47,208
Assets held for sale	—	192,684
Total current assets	<u>431,659</u>	<u>640,204</u>
Noncurrent assets whose use is limited	722,853	543,214
Property, plant, and equipment, net	1,086,294	1,085,422
Other assets		
Restricted assets	16,739	18,407
Deferred expenses, net	5,523	6,183
Investments in unconsolidated affiliates	22,198	20,718
Other long-term assets	25,067	39,512
Total other assets	<u>69,527</u>	<u>84,820</u>
Total assets	<u><u>\$ 2,310,333</u></u>	<u><u>2,353,660</u></u>
Liabilities and Net Assets		
Current liabilities		
Current installments of long-term debt – bonds	\$ 9,255	18,390
Long-term debt subject to short-term remarketing agreements	40,038	42,912
Current installments of long-term debt – mortgages	1,912	2,047
Accounts payable and accrued expenses	265,571	256,811
Payable under securities lending agreement	4,514	8,437
Estimated third-party payor settlements	22,383	18,138
Liabilities related to assets held for sale	—	29,970
Total current liabilities	<u>343,673</u>	<u>376,705</u>
Long-term debt, excluding current installments and net unamortized bond issue premiums – bonds	712,233	737,435
Long-term debt, excluding current installments – mortgages	36,298	40,670
Accrued pension liability	298,198	164,260
Other	98,008	100,103
Total liabilities	<u>1,488,410</u>	<u>1,419,173</u>
Net assets		
Unrestricted	805,184	916,080
Temporarily restricted	13,842	15,644
Permanently restricted	2,897	2,763
Total net assets	<u>821,923</u>	<u>934,487</u>
Total liabilities and net assets	<u><u>\$ 2,310,333</u></u>	<u><u>2,353,660</u></u>

See accompanying notes to consolidated financial statements

WHEATON FRANCISCAN SERVICES, INC.

Consolidated Statements of Operations

Years ended June 30, 2012 and 2011

(In thousands)

	2012	2011
Net patient service revenues before bad debt	\$ 1,622,196	1,566,114
Provision for bad debts	80,564	74,198
Net patient service revenues	1,541,632	1,491,916
Other revenues:		
Other	180,144	142,754
Net assets released from restrictions	1,766	1,227
Total revenues	1,723,542	1,635,897
Expenses:		
Salaries and fringe benefits	986,429	944,034
Purchased services, supplies, and other	550,361	516,681
Interest	34,346	33,817
Depreciation and amortization	108,841	112,211
Total expenses	1,679,977	1,606,743
Income from operations	43,565	29,154
Nonoperating gains (losses):		
Investment return	17,517	48,513
Loss on early extinguishment of debt	(123)	(1,832)
Loan forgiveness	797	—
Swap valuation adjustments	(1,294)	956
Gain (loss) on sale of business assets	(770)	666
Gain on involuntary disposal of assets	—	7,189
Other, net	(22,369)	12,589
Nonoperating gains (losses), net	(6,242)	68,081
Revenues and gains in excess of expenses and losses before discontinued operations	37,323	97,235
Gain from discontinued operations (including loss on sale of \$2,318 in 2012)	4,403	15,107
Revenues and gains in excess of expenses and losses	41,726	112,342
Other changes in unrestricted net assets:		
Net assets released from restrictions used for purchase of property, plant, and equipment	2,707	3,285
Change in unrecognized net defined benefit plan costs	(151,426)	66,520
Cumulative effect of change in accounting principle	—	(9,829)
Equity transactions of unconsolidated affiliates and other, net	(3,903)	(2,693)
Change in unrestricted net assets	\$ (110,896)	169,625

See accompanying notes to consolidated financial statements.

WHEATON FRANCISCAN SERVICES, INC.

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Unrestricted net assets:		
Revenues and gains in excess of expenses and losses	\$ 41,726	112,342
Net assets released from restrictions used for purchase of property, plant, and equipment	2,707	3,285
Change in unrecognized net defined-benefit plan costs	(151,426)	66,520
Cumulative effect of change in accounting principle	—	(9,829)
Equity transactions of unconsolidated affiliates and other, net	<u>(3,903)</u>	<u>(2,693)</u>
Change in unrestricted net assets	<u>(110,896)</u>	<u>169,625</u>
Temporarily restricted net assets:		
Contributions for specific purposes	4,417	7,934
Net assets released from restrictions used for purchase of property, plant, and equipment	(2,707)	(3,285)
Net assets released from restrictions for operations	(1,766)	(1,227)
Investment income	486	814
Equity transactions of unconsolidated affiliates and other, net	<u>(2,232)</u>	<u>—</u>
Change in temporarily restricted net assets	<u>(1,802)</u>	<u>4,236</u>
Permanently restricted net assets:		
Contributions for endowment funds	100	56
Investment income	<u>34</u>	<u>53</u>
Change in permanently restricted net assets	<u>134</u>	<u>109</u>
Change in net assets	(112,564)	173,970
Net assets at beginning of year	<u>934,487</u>	<u>760,517</u>
Net assets at end of year	\$ <u><u>821,923</u></u>	<u><u>934,487</u></u>

See accompanying notes to consolidated financial statements.

WHEATON FRANCISCAN SERVICES, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ (112,564)	173,970
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain from discontinued operations	(4,403)	(15,107)
Depreciation and amortization	108,841	112,211
Provision for bad debts	80,564	74,198
Amortization of bond issuance costs and premiums or discounts included in interest expense	(1,073)	(852)
Net realized and change in unrealized gains and losses on investments	3,162	(27,904)
Loss on early extinguishment of debt	123	1,832
Loan forgiveness	(797)	—
Gain on involuntary disposal of assets	—	(7,189)
(Gain) loss on sale of business assets	770	(666)
Net assets released from restrictions and used for operations	1,766	1,227
Restricted contributions and investment income	(5,037)	(8,857)
Income of unconsolidated affiliates	(16,508)	(13,407)
Investment in unconsolidated affiliates, net of cash distributions	15,028	(1,066)
Change in unrecognized net defined benefit plan costs, net of additional pension contribution in 2012 of \$17,488	133,938	(66,520)
Equity transactions of unconsolidated affiliates and other	6,135	2,693
Nonoperating gains – swap valuation adjustments	1,294	(956)
Cumulative effect of a change in accounting principle	—	9,829
Changes in assets and liabilities		
Patient accounts receivable	(96,865)	(77,785)
Estimated third-party payor settlements, net	4,245	3,731
Inventories of supplies	(1,055)	(313)
Prepaid expenses and other	5,012	(13,918)
Deferred tax assets, net	13,408	(13,408)
Accounts payable and accrued expenses	9,441	42,376
Other liabilities	(6,924)	2,225
Net cash provided by continuing operating activities	<u>138,501</u>	<u>176,344</u>
Net cash (used in) provided by operating activities of discontinued operations	(448)	6,525
Cash flows from investing activities		
Purchase of property, plant, and equipment	(111,161)	(89,283)
Proceeds from insurance settlement	—	6,634
Gross purchases of investments	(1,288,919)	(990,028)
Gross sales or maturities of investments	1,141,495	949,218
Proceeds from sale of business and other assets	167,565	9,810
Net change in notes receivable and other	145	446
Net change in notes and accounts receivable, affiliated organizations	—	(3,451)
Net change in restricted assets	<u>1,668</u>	<u>(4,345)</u>
Net cash used in continuing investing activities	<u>(89,207)</u>	<u>(120,999)</u>
Net cash used in investing activities of discontinued operations	—	(19,881)
Cash flows from financing activities		
Repayments of long-term debt – bonds	(35,790)	(65,215)
Repayments of long-term debt – mortgages	(2,416)	(1,997)
Transfers to unconsolidated affiliates and other	(2,600)	310
Net assets released from restrictions and used for operations	(1,766)	(1,227)
Proceeds from restricted contributions and investment income	<u>5,037</u>	<u>8,857</u>
Net cash used in continuing financing activities	<u>(37,535)</u>	<u>(59,272)</u>
Net cash provided by financing activities of discontinued operations	—	13,356
Net change in cash and cash equivalents	<u>11,311</u>	<u>(3,927)</u>
Cash and cash equivalents at beginning of year	<u>48,559</u>	<u>52,486</u>
Cash and cash equivalents at end of year	\$ <u>59,870</u>	\$ <u>48,559</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 35,637	35,934

See accompanying notes to consolidated financial statements

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

(1) Organization

Wheaton Franciscan Services, Inc. (WFSI) is organized as an Illinois not-for-profit organization and operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values of the Franciscan Sisters. WFSI's subsidiaries provide: (1) general healthcare services to residents within their geographic locations including inpatient, outpatient, emergency room, physician, long-term care, and other related services and (2) affordable housing for low-income families and the elderly. Expenses included in the accompanying consolidated financial statements relate primarily to the provision of healthcare services, housing services, and general and administrative costs.

(2) Basis of Consolidation

WFSI considers all wholly owned or controlled entities in which it has an economic interest as subsidiaries for consolidated financial statement purposes. The accompanying consolidated financial statements include WFSI and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

WFSI and its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, except as follows:

- Covenant Regional Services, Wheaton Franciscan Holdings, Inc., Wheaton Franciscan Provider Network, Inc., Wheaton Franciscan Enterprises, Inc., and Wheaton Franciscan Medical Group – Sussex are for-profit organizations.
- Northeast Iowa Real Estate Investments, Ltd. is a not-for-profit corporation exempt from federal income taxes on related income under Section 501(c)(2) of the Code.

WFSI and certain of its subsidiaries (herein referred to as The Obligated Group) entered into a Master Trust Indenture (MTI), dated as of June 1, 1985 and amended and restated as of April 22, 2004, in order to obtain financing or refinancing for the acquisition or betterment of various hospital and long-term care facilities. In June 2011, the board of directors of WFSI authorized and completed removal of St. Elizabeth's Hospital from The Obligated Group. The Obligated Group members comprise the following at June 30, 2012:

Wheaton Franciscan Services, Inc.

Southeast Wisconsin Region:

Wheaton Franciscan Healthcare – Southeast Wisconsin, Inc.

Wheaton Franciscan, Inc. (previously named St. Joseph Regional Medical Center, Inc., The Heart Hospital of Wisconsin, Inc., and Wheaton Franciscan Healthcare – Elmbrook Memorial, Inc.)

Wheaton Franciscan Healthcare – St. Francis, Inc.

Wheaton Franciscan Healthcare – Franklin, Inc.

Wheaton Franciscan Healthcare – All Saints, Inc.

Wheaton Franciscan Medical Group, Inc.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

Marianjoy Rehabilitation Hospital & Clinics, Inc.

Iowa Region:

Wheaton Franciscan Healthcare-Iowa Inc.
Covenant Medical Center, Inc.

St. Catherine's Hospital, Inc. (St. Catherine's)

The non-Obligated Group members are as follows:

O.S.F. Services, Inc.

Southeast Wisconsin Region:

Wheaton Franciscan Healthcare-Terrace at St. Francis, Inc.
Wheaton Franciscan Home Health and Hospice, Inc.
Wheaton Franciscan Healthcare-Pharmacy Enterprises and Franciscan Woods, Inc.
Wheaton Franciscan Holdings, Inc.

Marianjoy Region:

Marianjoy, Inc.
Rehabilitation Medicine Clinic, Inc.

Iowa Region:

Sartori Memorial Hospital, Inc.
Mercy Hospital of Franciscan Sisters, Inc.

Franciscan Ministries, Inc.

(3) Summary of Significant Accounting Policies

- The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- The consolidated statements of operations include revenues and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as nonoperating gains and losses.
- Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

- Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with a maturity of three months or less at the time of purchase, excluding amounts presented as assets whose use is limited and restricted assets. Short-term investments are comprised of highly liquid debt instruments with maturity greater than three months and less than 12 months at the time of purchase.
- Inventories of supplies are stated at the lower of cost (first-in, first-out) or market.
- Investments are measured at fair value in the accompanying consolidated balance sheets. Fair value is determined primarily on the basis of quoted market prices or observable market inputs. All investments are classified as trading securities with the exception of investments held by St. Catherine's (note 15). Investment income or loss (including realized gains and losses on investments, unrealized gains and losses on trading securities, interest, and dividends) is included in revenues and gains in excess of expenses and losses unless the income or loss is restricted by donors, in which case the investment return is recorded directly to temporarily or permanently restricted net assets. Unrealized gains and losses on investments designated as other-than-trading securities are excluded from income from operations.
- Assets whose use is limited include assets set aside by the boards of directors for specific purposes, OSF Services, Inc., and deferred compensation plans, over which the boards retain control and may at their discretion subsequently use for other purposes; assets held under escrow agreements; assets held by trustees under bond indenture agreements; assets posted as collateral for swap agreements; assets held through interests in foundations; assets held by a captive insurance company; and assets held by Franciscan Ministries, Inc. (FMI). Assets whose use is limited, which are required for obligations classified as current liabilities, are reported as current assets in the accompanying consolidated balance sheets.
- Property, plant, and equipment acquisitions are recorded at cost. Property, plant, and equipment donated for operations are recorded as additions to temporarily restricted net assets at fair value at the date of receipt and as net assets released from restriction when the assets are placed in service. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component cost of acquiring those assets.
- Deferred finance charges are included in deferred expenses and are amortized over the life of the respective debt or underlying liquidity facility, whichever is shorter, using either the straight-line or the weighted average bonds outstanding method. Bond discounts and premiums are amortized over the life of the respective debt using the straight-line or the weighted average bonds outstanding method. Amortization of deferred finance charges and bond discounts and premiums are reflected as a component of interest expense in the accompanying consolidated statements of operations.
- Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary

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differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income within nonoperating gains (losses) in the period that includes the enactment date. WFSI recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

At June 30, 2012 and 2011, WFSI had net operating loss (NOL) carryforwards for financial reporting and federal and state income tax purposes aggregating approximately \$501 and \$31,165, respectively, for federal and \$716 and \$39,539, respectively, for state. Using a federal tax rate of 34.0% and state tax rate of 7.9%, these NOL carryforwards give rise to deferred tax assets before valuation allowance of \$227 and \$13,720 at June 30, 2012 and 2011, respectively. The valuation allowance for deferred tax assets was \$227 and \$312 at June 30, 2012 and 2011, respectively. The NOL carryforwards have expiration dates through 2029. Management evaluates the need to maintain a valuation allowance for deferred tax assets based on the assessment of whether it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income. Appropriate consideration is given to all available evidence, both positive and negative, in assessing the need for a valuation allowance. This evaluation resulted in the determination that there were no releases of the valuation allowance for deferred tax assets in 2012. There was a significant portion of the valuation allowance in the amount of \$13,408 released as of June 30, 2011. Amounts released from the valuation allowance are included in other, net in nonoperating gains (losses) in the consolidated statements of operations. The quantitative and qualitative analysis of current and expected earnings, tax-planning strategies, and general business risks resulted in a more likely than not conclusion of being able to realize a significant portion of the deferred tax assets during 2012.

On January 1, 2012, WF-Holdings, Inc. completed a technical transfer of its 50% interest in Midwest Orthopedic Specialty Hospital, LLC. (MOSH) to WFH-Southeast Wisconsin, Inc. Federal and state income tax expense was \$21,438 and \$5,685 in 2012 and 2011, respectively, reported in other, net nonoperating gains (losses) in the consolidated statements of operations; however, \$13,408 and \$5,685 were offset by the utilization of NOL carryforwards in 2012 and 2011, respectively.

No other temporary differences have been considered based on materiality to the consolidated financial statements.

- WFSI adopted Accounting Standards Codification (ASC) No. 958-805, *Not-for-Profit Entities – Business Combinations* (ASC 958-805), in 2011 that, among other provisions, discontinues the amortization of goodwill by not-for-profit entities. Under ASC 958-805, goodwill is to be reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying value may not be recoverable. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value including goodwill. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is

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determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

Upon the adoption of ASC 958-805, Wheaton Franciscan Healthcare – Southeast Wisconsin recorded a transitional impairment charge of \$9,829 related to goodwill recorded from the acquisition of The Wisconsin Heart Hospital in December 2006. The transitional impairment was determined by comparing the present value of the reporting unit's future cash flows to the carrying value of the goodwill as of the adoption date of the standard on July 1, 2010. This impairment charge is reported as a cumulative effect of a change in accounting principle in the 2011 consolidated statement of operations.

WFSI performed its annual goodwill impairment test as of June 30, 2012 and did not identify any impairment issues. The fair value of the reporting unit is in excess of its carrying value. Goodwill totaling \$5,136 at June 30, 2012 and 2011 is reported in the accompanying consolidated balance sheets within other long-term assets.

WFSI has net amortizable intangible assets of \$5,818 and \$6,913 at June 30, 2012 and 2011, respectively, included in other long-term assets on the consolidated balance sheets, which are being amortized from 2 to 10 years. WFSI recorded amortization expense of \$1,113 and \$1,190 for 2012 and 2011, respectively.

- Long-lived assets (including property, plant, and equipment, goodwill, and other intangibles) are periodically assessed for recoverability based on the occurrence of a significant adverse event or change in the environment in which WFSI operates, or if the expected future cash flows generated by the long-lived asset (undiscounted and without interest) are less than the carrying amount of the long-lived asset. An impairment loss is recognized in the period an impairment determination is made to the extent the impaired long-lived asset's carrying value exceeds its fair value. Impairment loss, other than goodwill, in the amount of \$1,430 was recognized in 2011 and is included in depreciation and amortization in the consolidated statements of operations.
- Amounts reported as gain or sale of business assets represent the gain or sale by WFSI of its interest in various healthcare-related assets and joint ventures.
- In 2011, WFSI received insurance proceeds from a flood at the St. Michael Hospital facility. The St. Michael facility essentially ceased operating as a hospital as of June 2006. The facility retained a limited amount of assets. Funds in excess of demolition expenses, net of related asset retirement obligations, are reported as a gain on involuntary disposal of assets in the accompanying 2011 consolidated statement of operations.
- Changes in unrestricted net assets, which are excluded from revenues and gains in excess of expenses and losses, consistent with industry practice, include unrealized gains and losses on investments on other-than-trading securities, permanent transfers of assets to and from unconsolidated subsidiaries and affiliates for other than goods and services, contributions of

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long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), changes in the funded status of the defined benefit pension plan, cumulative effects of changes in accounting principles, and equity transactions of unconsolidated affiliates.

- Certain subsidiaries of WFSI provide care to patients who meet criteria under the community care program (charity care) without charge or at amounts less than their established rates. Because there is no effort to pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.
- WFSI accounts for discontinued operations under ASC guidance surrounding accounting for the impairment or disposal of long-lived assets. The guidance requires that a component entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component entity has been disposed of or is classified as held-for-sale, the results of operations for current and prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations.
- Temporarily restricted net assets represent those net assets whose use by WFSI and its subsidiaries has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by WFSI and its subsidiaries in perpetuity. WFSI and its subsidiaries' temporarily restricted net assets are restricted for various programs related to the provision of health and pastoral care. WFSI and its subsidiaries' investment income from permanently restricted net assets is expendable to support healthcare or other donor-designated services.
- Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Conditional promises to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as other revenue in the accompanying consolidated statements of operations.
- Gifts of long-lived assets such as land, buildings, and equipment are reported as unrestricted support and are excluded from the revenues and gains in excess of expenses and losses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.
- Provisions for self-insured liability claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported as of the respective consolidated balance sheet dates.

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- ASC No. 815, *Derivatives and Hedging*, requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative and the resulting designation. WFSI is involved in various interest rate swap programs. These derivatives are not designated as hedge instruments, and therefore, changes in their fair value are recognized in the consolidated statements of operations as nonoperating gains or losses in the period of change. WFSI is exposed to credit loss in the event of nonperformance by the counterparty in any of its interest rate swap agreements.

WFSI also maintains interest rate swap agreements, which were originally intended to effectively change the interest rate exposure on Series 1998B Bonds and the St. Francis Series 1997 Bonds, prior to redemption of debt (note 11). Notional amounts on these interest rate swap agreements are being reduced over the original term of the debt agreements to correspond with the originally scheduled reductions in principal of the related bonds. A summary of the outstanding positions under these swaps at June 30, 2012 is as follows:

	Notional amount	Maturity date	Rate received	Rate paid
\$	9,200	January 2015	SIFMA Index	4.83%
	28,000	August 2024	Lesser of SIFMA Index or 72% of LIBOR	4.36

The carrying value equals fair value. As of June 30, 2012 and 2011, the fair value of all outstanding swap agreements was a liability of \$7,024 and \$5,730, respectively, which is included as a component of other long-term liabilities. For the years ended June 30, 2012 and 2011, WFSI recognized valuation adjustments of \$1,294 and \$956, respectively, for the change in fair value of all swap agreements. Net payments equal to differentials received or paid under all swap agreements are recognized monthly and amounted to \$1,694 and \$1,777 in 2012 and 2011, respectively, which have been included as interest expense in the accompanying consolidated statements of operations.

Pursuant to certain terms of its interest rate swap agreements, WFSI was required to post collateral with its counterparty for the full settlement amount of the derivative liabilities related to the floating-to-fixed swaps. As of June 30, 2012 and 2011, WFSI posted \$7,658 and \$6,568, respectively, of collateral related to these swaps, which are included within the current portion of assets whose use is limited.

- FMI has entered into various regulatory agreements with the U.S. Department of Housing and Urban Development (HUD) that provide both Housing Assistance Payments and Rental Assistance Payments. These subsidy payments are designed to provide for the difference between the cash needs of the housing project and the cash generated by the tenants' rental payments. Tenant leases are generally one year in duration and expire at various times during the year. The HUD subsidies are adjusted at the beginning of the lease to reflect any changes to the tenant's rent payment established during the annual recertification process.

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- WFSI applies the provisions of ASC No. 820, *Fair Value Measurements and Disclosures* (ASC No. 820), for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC No. 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 8).
- WFSI applies the provisions of ASC No. 825-10, *Financial Instruments – Overall*, which gives WFSI the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. WFSI has not elected any additional eligible financial assets or financial liabilities to be reported at fair value.
- In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-23, *Measuring Charity Care for Disclosure* (ASU No. 2010-23). ASU No. 2010-23 amends ASC Subtopic 954-605 to require WFSI to use cost as the measurement basis for charity care disclosure requirements. The provisions of ASU No. 2010-23 were adopted for the year ended June 30, 2012.
- In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU No. 2010-24). ASU No. 2010-24 clarifies that a healthcare entity should not net insurance recoveries against a related malpractice claim liability or similar liability, which is consistent with the guidance in ASC 210-20, *Balance Sheet – Offsetting*. The provisions of ASU No. 2010-24 were adopted for the year ended June 30, 2012.
- In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07). ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations. All other entities would continue to present the provision for bad debts as an operating expense. In addition, there are enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The disclosure requirements are applicable for WFSI effective for fiscal years ending after December 15, 2012, with early adoption permitted. WFSI has elected to early adopt the provisions of this ASU. The provision for uncollectible accounts on the accompanying consolidated statements of operations for the years ended June 30, 2012 and 2011 have been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the retrospective application of ASU 2011-07.
- The Medicaid Electronic Health Record (EHR) Incentive Program (the Program) provides incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. WFSI accounts for the Program using

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International Accounting Standards 20, *Accounting for Government Grants and Disclosures of Government Assistance*. WFSI applies the “ratable recognition” approach, which states that the grant income can be recognized ratably over the entire “EHR” reporting period once the “reasonable assurance” income recognition threshold of IAS 20 is met. For the year ended June 30, 2012, WFSI recognized \$7,536 as other revenue related to Medicaid EHR incentives, which have been received or are expected to be received based on certifications prepared by management under the appropriate guidelines for stage 1 attestation.

- Certain 2011 amounts have been reclassified to conform to the 2012 consolidated financial statement presentation, including a reclassification of provision for uncollectible accounts in the consolidated statements of operations that decreases net patient service revenues and decreases total operating expenses by \$74,198 as a result of adopting ASU 2011-07.

(4) Net Patient Service Revenues

WFSI's hospitals and other patient care facilities have agreements with third-party payors that provide for payments at amounts different from established rates. A summary of the payment arrangements with major third-party payors is as follows:

- **Medicare** – Inpatient acute care services, certain outpatient, rehabilitation, and home health services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to their respective patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The classification of patients under the Medicare prospective payment systems and the appropriateness of patients' admissions are subject to validation reviews. Inpatient nonacute services, certain outpatient services, and medical education costs related to Medicare beneficiaries are paid based upon either a cost-reimbursement method, established fee screens, or a combination thereof. WFSI is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual reimbursement reports and audits thereof by Medicare fiscal intermediaries.
- **Medicaid** – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed in accordance with each state's Medicaid reimbursement program. Reimbursement under these programs is based primarily upon prospectively determined rates.

The states of Illinois, Wisconsin, and Iowa have hospital assessment programs to assist in the financing of their Medicaid programs. Pursuant to these programs, hospitals within the states of Illinois, Wisconsin, and Iowa are required to remit payment to the respective state under a tax assessment formula. WFSI has included its related assessments of \$38,535 and \$42,053 as purchased services, supplies, and other expense in the accompanying 2012 and 2011 consolidated statements of operations, respectively. The additional Medicaid reimbursement associated with these programs is approximately \$105,397 and \$109,321 for 2012 and 2011, respectively, and is included in net patient service revenue.

The aforementioned assessment programs increase the amount of federal matching for the respective Medicaid programs, which is then passed on to hospitals as increased Medicaid reimbursement.

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Wisconsin's assessment program prohibits the use of assessment revenue to supplant current revenue used to support existing hospital payment levels. The State distributes the assessment revenue as increased rates for both Medicaid and Medicaid HMO patients.

- **Other** – WFSI's hospitals and other patient care facilities have also entered into reimbursement agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Net patient service revenue for the years ended June 30, 2012 and 2011 includes approximately \$5,699 and \$5,185, respectively, of net favorable retroactively determined reimbursement settlements from prior years with third-party payors. In addition, net patient service revenues for the year ended June 30, 2012 includes approximately \$9,117 due to a settlement from Medicare for fiscal years 2007-2011 related to the Rural Floor Budget Neutrality Adjustment Appeal, which was ruled on in June 2012.

A summary of gross and net patient service revenues for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Gross patient service revenues	\$ 3,715,233	3,534,902
Less provisions for:		
Contractual adjustments under third-party reimbursement programs, including managed care	2,093,037	1,968,788
Net patient service revenues	\$ 1,622,196	1,566,114

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, WFSI analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, WFSI analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with patient responsibility (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the patients are screened against the WFSI charity care policy and uninsured discount policy. For any remaining patient responsibility balance, WFSI records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

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WFSI's allowance for uncollectible accounts for self-pay patients, which includes uninsured patients and residual copayments and deductibles for which managed care has already paid, decreased from 92.4% of self-pay accounts receivable at June 30, 2011, to 91.0% of self-pay accounts receivable at June 30, 2012. In addition, WFSI's self-pay writ-offs decreased \$18,459 from \$101,212 for fiscal year 2011 to \$82,753 for fiscal year 2012. WFSI has not changed its charity care or uninsured discount policies during fiscal years 2012 or 2011. WFSI does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

WFSI recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, WFSI recognizes revenue for services provided (on the basis of discounted rates, as provided by policy). On the basis of historical experience, a portion of WFSI's uninsured patients will be unable or unwilling to pay for the services provided. Thus, WFSI records a provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2012	2011
Medicare	\$ 551,871	519,418
Medicaid	243,574	229,896
Managed care/contracted payor	691,681	693,393
Self pay	95,647	80,611
Other	39,423	42,796
Net patient service revenues	<u>\$ 1,622,196</u>	<u>1,566,114</u>

(5) Concentration of Credit Risk

Patient care subsidiaries of WFSI grant credit without collateral to their 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 for 2012 and 2011 is as follows:

	2012	2011
Medicare	31.5%	27.9%
Medicaid	8.3	7.4
Managed care	40.5	42.8
Other	19.7	21.9
	<u>100.0%</u>	<u>100.0%</u>

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(6) Uncompensated and Charity Care

WFSI shares its talents and resources to benefit the many communities it serves. This includes providing education to health professional and community members, research, community health improvement offerings, and subsidized health services, in addition to charity care benefits.

For charity care benefits, patient care subsidiaries of WFSI maintain records to identify and monitor the level of charity care they provide. This represents free or discounted health services provided to those who cannot afford to pay and who meet criteria for financial assistance. Charity care is based on actual cost and does not include bad debt. The level of charity care provided during the years ended June 30, 2012 and 2011 was \$37,796 and \$29,311, respectively.

(7) Investments

During 1998, WFSI created the Wheaton Franciscan Services, Inc. Investment Trust (the Trust) for the sole purpose of administering a pooled investment program for WFSI, its subsidiaries, and affiliates. WFSI serves as the trustee and is responsible for managing and investing the pooled assets of the Trust. Participants accrue interest based on the Trust's actual realized earnings. The fair value of the assets in the Trust was \$712,526 and \$553,152 at June 30, 2012 and 2011, respectively, and is recorded as a component of assets whose use is limited.

A summary of the composition of the investment portfolio (including assets whose use is limited and restricted assets) at June 30, 2012 and 2011 is as follows:

	2012	2011
At fair value:		
Cash and cash equivalents	\$ 41,067	29,447
U.S. government obligations	374,811	268,080
Corporate debt securities	221,642	215,891
Asset-backed securities	36,335	25,679
Equity securities	136,718	126,542
Mutual funds	26,609	28,948
Total investments at fair value	837,182	694,587
At cost:		
Pledges receivable	714	960
Total investments	\$ 837,896	695,547

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Investments are reported in the accompanying June 30, 2012 and 2011 consolidated balance sheets as follows:

	2012	2011
Short-term investments	\$ 41,353	66,056
Assets whose use is limited:		
By boards for specific purposes	583,916	410,417
By boards for deferred compensation plans	28,173	29,008
By boards for Clara Pfaender Fund, Inc.	32,487	28,369
Held by FMI	11,215	11,545
Held by captive insurance company	40,779	40,046
Under escrow agreement	21,078	30,016
Held as collateral for swap agreements	7,658	6,568
Under indenture agreements by trustee	54,498	55,115
Restricted assets	16,739	18,407
Total investments	\$ <u>837,896</u>	<u>695,547</u>

The composition of investment return on the investment portfolio for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Interest and dividend income	\$ 25,416	24,417
Net realized gains on sale of investments	7,598	9,690
Change in net unrealized gains and losses	<u>(10,760)</u>	<u>18,214</u>
	\$ <u>22,254</u>	<u>52,321</u>

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2012 and 2011 as follows:

	2012	2011
Other operating revenue	\$ 4,217	2,941
Change in unrealized gains and losses on trading securities	(12,314)	18,532
Investment income, excluding change in unrealized gains on trading securities	29,831	29,981
Temporarily restricted net assets – investment income	486	814
Permanently restricted net assets – investment income	<u>34</u>	<u>53</u>
	\$ <u>22,254</u>	<u>52,321</u>

During 2005, WFSI began participating in a securities lending program. Through this securities lending program, managed by its investment custodian, WFSI loans fixed income and equity securities included in

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its investment portfolio. At June 30, 2012 and 2011, the fair value of the securities loaned was \$4,380 and \$8,223, respectively. The custodian's loan agreements require the borrowers to maintain collateral equal to at least 102% of the market value of the securities loaned. This collateral is in the form of cash and cash equivalents and fixed income securities and is revalued on a daily basis. At June 30, 2012 and 2011, WFSI has presented the collateral received as securities lending collateral within current assets and the obligation to return that collateral as a current liability as payable under securities lending agreement in the accompanying consolidated balance sheets.

(8) Fair Value Measurements

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated third-party payor settlements.
- Assets whose use is limited, short-term investments, securities lending collateral, and restricted assets: equity securities, mutual funds, and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate debt securities, U.S. governmental agency securities, and asset-backed securities are measured using other observable inputs. The carrying value equals fair value.
- Interest rate swap agreements: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and WFSI. The carrying value equals fair value.
- The fair value of the fixed-rate long-term debt of WFSI and its subsidiaries was \$629,727 and \$578,261 at June 30, 2012 and 2011, respectively. The recorded amount of these obligations at June 30, 2012 and 2011 was \$603,105 and \$609,470, respectively. Fair value of fixed-rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to WFSI for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon WFSI's current borrowing rating for rates for similar types of long-term debt securities.

(b) Fair Value Hierarchy

WFSI applies the provision of ASC No. 820, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between mutual participants at a measurement date. These provisions describe a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority

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to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that WFSI has the ability to access at the measurement date.
- Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which creates a practical expedient allowing measurement of fair value based on the net asset value per share of the investment. Mutual funds are valued using net asset value per share as a practical expedient.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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(In thousands)

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

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets				
Cash and cash equivalents	\$ 59,870	59,870	—	—
Short-term investments				
Cash and cash equivalents	614	614	—	—
U S government obligations	13,737	—	13,737	—
Corporate-backed debt	27,002	—	27,002	—
Securities lending collateral				
Cash and cash equivalents	4,514	4,514	—	—
Assets whose use is limited or restricted, excluding \$714 of pledges receivable				
Cash and cash equivalents	40,453	40,453	—	—
Mutual funds	26,609	26,609	—	—
U S government obligations	361,074	261,162	99,912	—
Corporate-backed debt	194,640	—	194,640	—
Asset-backed securities	36,335	3,106	33,229	—
Equity funds	136,718	136,718	—	—
Total assets	<u>\$ 901,566</u>	<u>533,046</u>	<u>368,520</u>	<u>—</u>
Liabilities				
Interest rate swap agreement	\$ 7,024	—	7,024	—

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

Fair value at June 30, 2011	\$ 21,851
Gains and investment income, net	636
Redemptions and sales	<u>(22,487)</u>
Fair value at June 30, 2012	<u>\$ —</u>

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

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets				
Cash and cash equivalents	\$ 48,559	48,559	—	—
Short-term investments				
Cash and cash equivalents	9	9	—	—
U S government obligations	15,330	—	15,330	—
Corporate-backed debt	50,717	—	50,717	—
Securities lending collateral				
Cash and cash equivalents	8,437	8,437	—	—
Assets whose use is limited or restricted, excluding \$960 of pledges receivable				
Cash and cash equivalents	29,438	29,438	—	—
Mutual funds	28,948	28,948	—	—
U S government obligations	252,749	175,695	77,054	—
Corporate-backed debt	165,174	—	143,323	21,851
Asset-backed securities	25,680	2,844	22,836	—
Equity funds	126,542	126,542	—	—
Total assets	<u>\$ 751,583</u>	<u>420,472</u>	<u>309,260</u>	<u>21,851</u>
Liabilities				
Interest rate swap agreement	\$ 5,730	—	5,730	—

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

Fair value at June 30, 2010	\$ 21,851
Gains and investment income, net	1,015
Redemptions and sales	<u>(1,015)</u>
Fair value at June 30, 2011	<u>\$ 21,851</u>

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(9) Asset Divestitures

Effective January 1995, WFSI and Ministry Health Care (MHC) entered into an integration agreement. This agreement was amended and restated effective October 1, 1997 creating a fully integrated economic system called Affinity. Pursuant to this agreement, WFSI and MHC continued to own and sponsor their respective operating entities within Affinity and participate in the sharing of income (loss) of all Affinity organizations. WFSI has consolidated St. Elizabeth's Hospital, its sponsored organization, in the accompanying consolidated financial statements and has reflected its share of the unconsolidated Affinity organizations, except the MHC sponsored organizations, under the equity method of accounting. In June 2011, the board of directors of WFSI approved a plan to sell all of the assets and liabilities of St. Elizabeth's Hospital, which, pursuant to the integration agreement, includes a 50% interest in Affinity. In February 2012, the sale was completed and WFSI received cash proceeds of \$167,565 from the sale and the repayment of intercompany debt and recognized a loss on sale of \$2,318.

The assets and liabilities related to St. Elizabeth's Hospital are classified as held-for-sale in the accompanying 2011 consolidated balance sheet. The operations of Affinity and St. Elizabeth's Hospital have been presented in the accompanying consolidated statements of operations within discontinued operations. Further, all net cash flows related to the operating, investing, and financing activities of Affinity and St. Elizabeth's Hospital are reported separately as discontinued operations in the accompanying consolidated statements of cash flows. The sale transaction closed on February 8, 2012.

A summary of the assets held for sale and the related liabilities, and operating components of discontinued operations as of and for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Assets held for sale and related liabilities:		
Cash and equivalents	\$ —	8,700
Other current assets	—	26,528
Property, plant, and equipment, net	—	92,945
Other assets	—	64,511
Total assets	<u>\$ —</u>	<u>192,684</u>
Total liabilities, including \$49,366 of intercompany debt payable to WFSI	\$ —	79,336
Net assets	—	113,348

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	<u>2012</u>	<u>2011</u>
Discontinued operations:		
Total revenues and gains	\$ 98,055	150,783
Expenses:		
Salaries and fringe benefits	44,773	72,540
Purchased services, supplies, and other	35,742	56,202
Provision for bad debts	2,506	4,376
Interest	2,448	2,615
Depreciation and amortization	5,865	8,649
Total expenses	<u>91,334</u>	<u>144,382</u>
Income from discontinued operations	6,721	6,401
Other changes in unrestricted net assets	<u>(2,751)</u>	<u>(2,645)</u>
Change in unrestricted net assets	<u>\$ 3,970</u>	<u>3,756</u>

In May 2011, WFSI sold substantially all of the assets and business operations associated with a dialysis component of Southeast Wisconsin (All Saints Healthcare System, Inc.). The sale of the dialysis component resulted in a gain of \$8,587 in 2011. The gain on sale, operations, and cash flows associated with the dialysis component are reported as discontinued operations in the accompanying 2011 consolidated financial statements. Income from discontinued operations for the dialysis component was \$119 for the year ended June 30, 2011.

(10) Property, Plant, and Equipment

A summary of property, plant, and equipment at June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 112,162	110,003
Buildings	1,231,210	1,099,467
Building equipment	334,194	374,996
Departmental equipment	617,105	580,799
	<u>2,294,671</u>	<u>2,165,265</u>
Less accumulated depreciation and amortization	<u>1,266,187</u>	<u>1,166,918</u>
	1,028,484	998,347
Construction in progress	<u>57,810</u>	<u>87,075</u>
Total property, plant, and equipment, net	<u>\$ 1,086,294</u>	<u>1,085,422</u>

Construction in progress at June 30, 2012 consists of various expansion and renovation projects. As of June 30, 2012, construction commitments are primarily related to St. Francis Hospital and St. Catherine's

WHEATON FRANCISCAN SERVICES, INC.

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expansion project (note 15(c)). During the years ended June 30, 2012 and 2011, WFSI capitalized net interest cost in the amount of \$1,687 and \$3,164, respectively.

(11) Long-Term Debt – Bonds

Long-term debt – bonds at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Wheaton Franciscan Services, Inc. (System Refinancing) – Iowa Finance Authority, Variable Rate Demand Revenue Bonds, Series 1998A (Series 1998A Bonds) with variable effective interest rates of 3.75% for the year ended June 30, 2011, converted to Bank Bond in 2009, redeemed in 2012	\$ —	6,400
Wheaton Franciscan Services, Inc. (System Refinancing) – Iowa Finance Authority, Variable Rate Demand Revenue Bonds, Series 1998B (Series 1998B Bonds) with variable effective interest rates of 3.75% for the year ended June 30, 2011, converted to Bank Bond in 2009, redeemed in 2012	—	13,000
Wheaton Franciscan Services, Inc. (System Financing) – Wisconsin Health and Educational Facilities Authority, Revenue and Refunding Bonds, Series 2002 (Series 2002 Bonds) with fixed interest rates ranging from 4.875% to 5.750% and varying debt service payments through August 2011	—	1,665
Wheaton Franciscan Services, Inc. (System Financing) – Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 2003A (Series 2003A Bonds) with fixed interest rates ranging from 5.0% to 5.5% and varying debt service payments through August 2033	101,925	103,890
Wheaton Franciscan Services, Inc. (System Financing) – Wisconsin Health and Educational Facilities Authority, Variable Rate Demand Revenue Bonds, Series 2003B (Series 2003B Bonds) with variable interest rate (effective average interest rate of 0.12% and 0.22% for the years ended June 30, 2012 and 2011, respectively) and debt service payments through August 2033	75,000	75,000

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	<u>2012</u>	<u>2011</u>
Wheaton Franciscan Services, Inc. (System Refinancing) – Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2006A (Series 2006A Bonds) with fixed interest rates ranging from 5.00% to 5.25% and varying debt service payments through August 2034	\$ 294,095	296,410
Wheaton Franciscan Services, Inc. (System Refinancing) – Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2006B (Series 2006B Bonds) with fixed interest rates ranging from 4.000% to 5.125% and varying debt service payments through August 2030	207,085	207,505
Wheaton Franciscan Services, Inc. (System Financing) – Wisconsin Health and Educational Facilities Authority, Variable Rate Demand Revenue Bonds, Series 2007 (Series 2007 Bonds) with variable interest rates (effective average interest rate of 0.12% and 0.23% for the years ended June 30, 2012 and 2011, respectively) and varying debt service payments through August 2036	64,380	64,405
St. Francis Hospital, Inc. – Wisconsin Health and Educational Facilities Authority, Variable Rate Demand Revenue Bonds, Series 1997 (St. Francis Series 1997 Bonds) with variable interest rates (effective interest rate of 3.25% for the year ended June 30, 2011), converted to Bank Bonds in 2009, redeemed in 2012	—	10,000
	<u>742,485</u>	<u>778,275</u>
Unamortized net bond issue premiums	<u>19,041</u>	<u>20,462</u>
Total long-term debt	761,526	798,737
Less:		
Current installments of long-term debt	9,255	18,390
Long-term debt subject to short-term remarketing agreements	<u>40,038</u>	<u>42,912</u>
Long-term debt, excluding current installments and net unamortized bond issue premiums	\$ <u>712,233</u>	<u>737,435</u>

All of the outstanding long-term bond indebtedness has been issued pursuant to the MTI, and is comprised of unsecured obligations of The Obligated Group. Each member of The Obligated Group has jointly and severally guaranteed the payment of any and all amounts due on the outstanding indebtedness issued under the MTI.

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The following is a summary of the bond insurer and liquidity facility for the outstanding long-term debt:

Outstanding debt series	Liquidity facility
Series 2003B Bonds*	Letter of Credit – U.S. Bank National Association, expiring in December 2016
Series 2007 Bonds*	Letter of Credit – PNC Bank, expiring in December 2016

* Bear interest at a variable rate, which is currently determined weekly.

In the event that the letters of credit are not renewed, mandatory redemption provisions become applicable, which require the then outstanding indebtedness to be paid in full or within an 18-month period.

On January 21, 2011, WFSI redeemed at par \$42,140 of the then outstanding principal balance on the Series 1993 Revenue Bonds. The unamortized deferred financing costs and bond discount related to the Series 1993 Revenue Bonds were written off at the time of retirement and are reported as loss on early extinguishment of debt in the amount of \$1,832 in the accompanying 2011 consolidated statement of operations.

On November 1, 2011, WFSI redeemed at par \$5,300, \$10,300, and \$8,200 of the then outstanding principal balance on the Series 1998A Bank Bonds, Series 1998B Bank Bonds, and Series 1997 Bank Bonds, respectively. The unamortized deferred financing costs and bond discount related to the Series 1993 Revenue Bonds were written off at the time of retirement and are reported as loss on early extinguishment of debt in the amount of \$123 in the accompanying 2012 consolidated statement of operations.

The Series 2003B and Series 2007 bonds are secured by letters of credit with US Bank National Association and PNC Bank (collectively, the Commercial Banks), respectively. These bonds have put options that allow the holders to redeem the bonds prior to maturity. The Obligated Group has agreements with remarketing agents to remarket any bonds redeemed as a result of the exercise of the put options. If the bonds cannot be remarketed, the Commercial Banks will purchase the bonds under the letters of credit. Any liquidity advances as a result of failed remarketing are repayable to US Bank National Association and PNC Bank within 367 and 60 days, respectively, unless converted to term loans by meeting certain criteria as defined in the letter-of-credit agreements (the Agreements). Any term loans must be repaid in full by the earlier of the letter-of-credit expiration date or the date of certain other events as defined in the Agreements.

The first chart represents future principal repayments on long-term debt assuming the Series 2003B and Series 2007 variable rate demand bonds failed to be remarketed and were subsequently purchased by the letter-of-credit banks on June 30, 2012 with principal repayments accelerated in accordance with the terms of the letter-of-credit agreements. The second chart represents principal repayments based on the current status under the terms of the Standby Bond Purchase Agreements for the Bank Bonds, and all other

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(In thousands)

long-term debt – bonds based on scheduled maturities or repayments as specified in the related long-term debt agreements.

Chart I

Year ending June 30:	
2013	\$ 49,293
2014	73,267
2015	49,575
2016	12,580
2017	16,335
Thereafter	541,435
	\$ 742,485

Chart II

Year ending June 30:	
2013	\$ 9,255
2014	11,760
2015	12,340
2016	16,380
2017	16,850
Thereafter	675,900
	\$ 742,485

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(12) Long-Term Debt – Mortgages

Long-term debt – mortgages held by FMI at June 30, 2012 and 2011 are as follows:

<u>Housing project</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Security</u>	<u>2012</u>	<u>2011</u>
Assist homes					
Batavia Apartments, Inc	6.75%	November 1, 2041	HUD	\$ 9,873	9,976
Batavia Apartments, Inc	7.00	August 1, 2012	HUD	59	400
Colony Park, Inc	7.49	July 1, 2018	IHDA	1,480	1,686
Constitution House, Inc	7.81	July 1, 2016	IHDA	1,003	1,244
Jefferson Court, Inc	6.21	March 1, 2038	HUD	7,111	7,221
Saxony, Inc	5.54	June 1, 2035	Citigroup	6,721	6,829
Clare Gardens, Inc	5.25	July 1, 2038	HUD	2,750	2,798
Francis Heights, Inc Capmark A	6.50	February 28, 2014	HUD	420	651
Francis Heights, Inc Flex	1.00	No fixed maturity date	HUD	1,902	1,902
Francis Heights, Inc Capmark B	6.50	February 28, 2038	HUD	95	96
Francis Heights, Inc 2nd Mtge	4.00	January 31, 2038	HUD	861	1,398
Marian Housing Center, Inc	5.50	June 1, 2040	HUD	1,426	1,447
Marian Park, Inc	7.00	January 1, 2014	FHA	2,213	2,465
Starved Rock – LaSalle Manor Limited Partnership (SR)	3.00	July 1, 2020	GMAC	400	423
SR	6.50	April 1, 2037	GMAC	471	479
SR	2.00	April 1, 2037	GMAC	—	930
Villa St. Clare, Inc	4.00	April 1, 2027	WHEDA	1,249	1,300
Kenosha Seniors Limited	6.75	July 1, 2009	Johnson Bank	—	809
Other mortgages	6.13% – 7.68%			176	663
Total long-term debt – mortgages				38,210	42,717
Less current installments of mortgages				1,912	2,047
Long-term debt – mortgages, excluding current installments				\$ 36,298	40,670

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As of June 30, 2012, scheduled annual maturities of long-term debt – mortgages for the next five years and thereafter are as follows:

Year ending June 30:		
2013	\$	1,912
2014		7,762
2015		943
2016		890
2017		741
Thereafter		25,962
	\$	<u>38,210</u>

(13) Pension Plans

WFSI and certain of its subsidiaries participate in a qualified noncontributory defined-benefit pension plan (the Plan), covering all employees who are at least 21 years of age and work 1,000 or more hours per year. The normal retirement benefit of the Plan is a monthly retirement income, a lump-sum payment, or a combination thereof which is computed based on a cash balance accumulated from contributions and interest earnings thereon equal to the one-year Treasury bill rate or a rate approved by the WFSI Finance and Operations Committee. The benefit is payable commencing any time after the vested employee's termination date but not later than age 65 unless still working. The Plan is funded based on the estimated pension cost as determined by the Plan's consulting actuary.

The cost related to employee service is recognized using the Projected Unit Credit Cost Method. Gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, are amortized over the expected future service period. The prior service credits are also amortized over the expected future service period.

Prior to January 1, 1995, the Plan had a traditional annuity benefit formula. Participants who were covered under the prior plan are grandfathered and entitled to a retirement benefit equal to the greater of their benefit as defined by the Plan or their benefit as defined by the prior plan.

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The following table sets forth information on the funded status, amounts recognized in the consolidated financial statements, and weighted average assumptions related to WFSI's Plan for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 730,259	688,348
Service cost	29,395	29,399
Interest cost	42,327	40,498
Benefits paid	(35,526)	(34,830)
Actuarial loss	111,373	6,844
	<u>877,828</u>	<u>730,259</u>
Benefit obligation of end of year		
Change in plan assets:		
Fair value of plan assets at beginning of year	565,999	457,568
Actual return on plan assets	(2,343)	94,055
Employer contributions	51,500	49,206
Benefits paid	(35,526)	(34,830)
	<u>579,630</u>	<u>565,999</u>
Fair value of plan assets at end of year		
Funded status	\$ <u>(298,198)</u>	<u>(164,260)</u>
Amounts recognized in the accompanying consolidated balance sheets:		
Accrued pension liability	\$ (298,198)	(164,260)
Accumulated charge to unrestricted net assets	<u>298,672</u>	<u>147,246</u>
Net amounts recognized in the accompanying consolidated balance sheets	\$ <u>474</u>	<u>(17,014)</u>

The accumulated charge to unrestricted net assets represents charges or credits arising from the defined-benefit pension plan, but not yet recognized as components of net periodic benefit cost. The accumulated charge to unrestricted net assets at June 30, 2012 and 2011 of \$298,672 and \$147,246, respectively, are comprised of \$352,275 and \$209,914 of unrecognized net actuarial losses offset by a reduction for unrecognized prior service credits of \$53,603 and \$62,668 at June 30, 2012 and 2011, respectively.

The accumulated benefit obligation for the Plan was \$831,328 and \$694,091 at June 30, 2012 and 2011, respectively.

Several organizations participate in the Plan but are not included in the accompanying consolidated financial statements. Therefore, the amounts recognized by the participants are shown in the above table, but are not included in the consolidated financial statements. The net periodic pension cost for the years ended June 30, 2012 and 2011 related to unconsolidated subsidiaries and affiliates amounted to \$2,304 and 1,826, respectively.

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Net periodic benefit cost for the Plan for the years ended June 30, 2012 and 2011 included the following components:

	<u>2012</u>	<u>2011</u>
Components of net periodic benefit cost:		
Service cost	\$ 29,395	29,399
Interest cost	42,328	40,498
Expected return on plan assets	(43,856)	(35,203)
Net amortization amounts	<u>6,145</u>	<u>14,512</u>
Net periodic benefit cost	<u>\$ 34,012</u>	<u>49,206</u>
Weighted average assumptions:		
Discount rate used to determine obligation	5.26%/8.00%	5.25%/8.00%
Discount rate used to determine net periodic benefit cost	5.26%/8.00%	5.25%/8.00%
Rate of compensation increase	Age-based	Age-based
Expected return on plan assets	7.75%	8.00%
Cash balance interest rate assumption	3.1%	3.1%

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation at June 30, 2012 and 2011 is 8.00% for grandfathered participants estimated to take their retirement benefit in the form of a lump sum and 3.75% and 5.26% at June 30, 2012 and 2011, respectively, for all other participants.

Effective as of January 1, 2009, for participants who do not meet the Rule of 80, the cap for contribution credit percentage changed from 8% to 5% (or higher for participants at a higher level as of December 31, 2008), and the grandfathered annuity for eligible participants hired prior to January 1, 1995 changed from using final average pay formula to career average. A participant actively employed on December 31, 2008 meets the Rule of 80 if his or her age plus benefit service, both determined as of December 31, 2008, is at least equal to 80. Such plan changes resulted in a decrease to the projected benefit obligation of \$44,404.

The Plan's overall expected long-term rate of return on assets is 7.75% and 8.00% for 2012 and 2011, respectively. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

WFSI is expected to contribute \$50,000 to the Plan in 2012 of which approximately \$46,150 is the expense of the Plan. Approximately \$15,210 of unrecognized net actuarial losses at June 30, 2012 are expected to be recognized as pension expense in 2013. Approximately \$9,065 of unrecognized prior service credits at June 30, 2012 will be recognized as a reduction of pension expense in 2013.

The benefits expected to be paid in each year from 2013 through 2017 are approximately \$38,006, \$47,295, \$50,948, \$54,642, and \$58,089, respectively. The aggregate benefits expected to be paid in the five years from 2018 through 2022 are approximately \$325,113. The expected benefits are based on the

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same assumptions used to measure WFSI's benefit obligation at June 30 and include estimated future employee service.

The Plan has a statement of Investment Policy, which is reviewed and approved by the WFSI board of directors. The policy establishes goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications as well as specific investment manager guidelines. The policy states that the rebalancing of these assets to the target allocations will be reviewed on a semiannual basis. Investments are managed by independent advisors. Management monitors the performance of these managers on a monthly basis.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2012 and 2011:

Asset	2012			2011		
	Target allocation	Acceptable range	Actual allocation	Target allocation	Acceptable range	Actual allocation
Equity – large cap growth	5%	0% – 10%	8%	5%	0% – 10%	6%
Equity – large cap value	20	15% – 25%	19	20	15% – 25%	17
Equity – mid cap	10	5% – 15%	10	10	5% – 15%	11
Equity – small cap	10	5% – 15%	10	10	5% – 15%	10
Equity international	15	10% – 20%	14	15	10% – 20%	15
Fixed income and cash	40	30% – 50%	39	40	25% – 50%	41

Fair Value of Financial Instruments

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

- Common stocks, quoted mutual funds, and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, and U.S. agency securities are measured using other observable inputs. The carrying value equals fair value.

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Fair Value Hierarchy

The following tables present the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and 2011:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total, June 30, 2012			
Investments				
Cash and cash equivalents	\$ 27,513	27,513	—	—
U S government obligations	96,925	45,154	51,771	—
Corporate debt securities	101,712	—	101,712	—
Asset-backed securities	13,702	—	13,702	—
Equity funds	341,516	341,516	—	—
Total *	\$ 581,368	414,183	167,185	—

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total, June 30, 2011			
Investments				
Cash and cash equivalents	\$ 21,450	21,450	—	—
U S government obligations	121,797	48,741	73,056	—
Corporate debt securities	92,890	—	92,890	—
Asset-backed securities	11,946	—	11,946	—
Equity funds	320,644	320,644	—	—
Total *	\$ 568,727	390,835	177,892	—

* Total excludes \$1,738 and \$2,728 of unsettled payables to custodian of pension plan assets as of June 30, 2012 and 2011, respectively.

During 1996, WFSI created a nonqualified Benefit Restoration Plan (the BRP) for senior executives employed in the organization whose benefits under the qualified plan are limited due to limitations imposed by income tax regulations. In 2001, the Plan was amended to cover certain benefits previously provided under the BRP. In 2008, the BRP was amended to vest the accrued benefits as of December 29,

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2008. The payout started in January 2009 with future accrued benefits being paid out annually. Accounts payable to BRP participants of \$200 and \$379 at June 30, 2012 and 2011, respectively, are included in other long-term liabilities.

(14) Insurance

Professional and General Liability

Wheaton Franciscan Insurance Company (the Captive), a wholly owned subsidiary of WFSI, was formed to provide comprehensive professional and general liability insurance to the organization. Professional liability coverage for WFSI qualified subsidiaries located in Wisconsin is procured through Preferred Professional Insurance Company (PPIC), which reinsures all of the risk with the Captive. All other WFSI subsidiaries are insured directly by the Captive for professional and general liability risks.

For primary professional liability coverage for Wisconsin-based providers, WFSI pays premiums to PPIC based upon actuarial computations that estimate the expected ultimate losses by policy year. PPIC then pays the premium, net of PPIC's administrative expenses, to the Captive pursuant to a reinsurance agreement. All primary professional liability insurance coverage provided through PPIC is on an occurrence basis.

Losses in excess of the primary professional liability limits for the Wisconsin-based providers are fully covered through the hospitals' and employed physicians' mandatory participation in the Patients' Compensation Fund of the State of Wisconsin. For other regions, the Captive obtains varying levels of commercial umbrella and excess reinsurance coverage by policy year on a claims-made basis.

WFSI recognizes provisions for the ultimate cost of reported losses and for losses incurred but not reported based upon projections by WFSI management and independent actuaries. At June 30, 2012 and 2011, loss reserve accruals of \$25,703 and \$27,690, respectively, are included in the accompanying consolidated financial statements in other long-term liabilities. It is management's opinion that the recorded claim reserves are adequate to cover ultimate losses incurred to date. Provisions for professional and general liability self-insurance expense amounted to \$1,708 and \$695 for the years ended June 30, 2012 and 2011, respectively, and are included in purchased services, supplies, and other expenses in the accompanying consolidated statements of operations. As related to the professional and general liability, the adoption of ASU 2010-24 for the year ended June 30, 2012 had no impact on the consolidated financial statements.

Workers' Compensation and Employee Benefits

WFSI is self-insured for workers' compensation claims up to the first \$250. WFSI purchases workers' compensation umbrella and excess policies to provide various levels of additional coverage by policy year. Workers' compensation self-insurance expense amounted to \$6,238 and \$5,432 for the years ended June 30, 2012 and 2011, respectively, and is included in salaries and fringe benefits expense in the accompanying consolidated statements of operations. The gross liability for estimated self-insured workers' compensation claims of \$11,241 at June 30, 2012 and the net liability for claims of \$9,614 at June 30, 2011 is included within accounts payable and accrued expenses in the accompanying consolidated balance sheets.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

WFSI adopted the provisions of ASU 2010-24 prospectively for the year ended June 30, 2012. The estimated workers' compensation insurance recoveries and related insurance liability gross up was \$1,045 and is included as a component of prepaid expenses and other and accrued expenses, respectively, as of June 30, 2012.

All claims, premiums, and administrative expenses related to benefits are processed, recorded, and paid directly through WFSI, with the exception of commercially insured HMO's in Illinois and Colorado, life insurance for all associates and long-term disability coverage for executives and physicians. Long-term disability coverage, which became commercially insured effective January 1, 2010.

WFSI internally estimates the claims incurred but unreported as of the consolidated balance sheet dates for healthcare and other employee benefits. Accrued healthcare and other benefits claims of approximately \$19,239 and \$19,211 at June 30, 2012 and 2011, respectively, consist of the estimated ultimate cost of reported claims and claims incurred but not reported as of the consolidated balance sheet dates and are included within accounts payable and accrued expenses. Provisions for self-insured employee healthcare and other employee benefit claims amounted to approximately \$96,982 and \$80,614 for the years ended June 30, 2012 and 2011, respectively, and are included with salaries and fringe benefits expense in the accompanying consolidated statements of operations.

(15) Integration Agreements and Investments in Unconsolidated Affiliates

WFSI and certain subsidiaries also have investments in organizations that are not majority owned or controlled by WFSI organizations. WFSI and its subsidiaries account for their investments in these organizations using the equity method of accounting. The equity method of accounting is discontinued when the equity investment is reduced to zero unless WFSI or its subsidiaries has guaranteed the obligations of the organization or is committed to provide additional capital support.

(a) *Felician Services, Inc.*

In 2008, WFSI and Southeast Wisconsin Region entered into a Restated Integration Agreement with Felician Services, Inc. (FSI) to better fulfill both WFSI's and FSI's commitment to the mission of the health ministry of the Roman Catholic Church. The Restated Integration Agreement was retroactively effective July 1, 2006 and gives Southeast Wisconsin Region authority to manage and direct the FSI-sponsored entities at (Wheaton Franciscan Healthcare – St. Francis, Inc. and Wheaton Franciscan Healthcare – Terrace at St. Francis, Inc.). The FSI-sponsored entities are consolidated by WFSI within the accompanying consolidated financial statements given the degree of control and economic interest that WFSI has over the FSI-sponsored entities.

The Restated Integration Agreement provides FSI a put option that can be exercised by giving WFSI written notice. The execution of the put option requires WFSI to pay FSI an acquisition price of \$28,000 for the FSI-sponsored entities, which is accrued and included in other long-term liabilities in the accompanying consolidated balance sheets. The put option has not been exercised as of June 30, 2012.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

(b) *United Hospital System, Inc.*

Effective July 6, 1998, St. Catherine's entered into an integration agreement with United Hospital System, Inc. to operate as a single system through the formation of UHS, Inc. (United). The intent of the integration was to facilitate the development and operation of a healthcare system for the Kenosha, Wisconsin regional community and reduce the cost of and duplication of services. The integration agreement provides for the sharing of income or losses on a percentage basis of the consolidated results of operations.

WFSI accounts for its 25% equity investment in United on the equity method of accounting. WFSI has included its proportional share of United net income of \$8,654 and \$4,840 in 2012 and 2011, respectively, as other revenue in the accompanying consolidated statements of operations. WFSI received no cash distributions from United in 2012 or 2011. As of and for the years ended June 30, 2012 and 2011, respectively, United Hospital System, Inc. had total assets of \$323,781 and \$312,527, total net assets of \$204,818 and \$231,229, and revenue of \$304,358 and \$285,573.

Construction in progress at June 30, 2012 relates primarily to costs incurred for St. Catherine's expansion project. At June 30, 2012, St. Catherine's has incurred and capitalized approximately \$97,000 of the costs related to the project. The project is being partially funded by United. As of June 30, 2012 and 2011, a due to United in the amount of \$63,000 and \$69,000, respectively, for repayment of construction advances is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

(c) *Midwest Orthopedic Specialty Hospital, LLC (MOSH)*

MOSH, a joint venture entity, was formed in late 2008 to own and operate an orthopedic specialty hospital located on the second floor of the Wheaton Franciscan Healthcare – Franklin (WFH-Franklin). MOSH was granted its hospital license by the State of Wisconsin and opened for operations effective July 31, 2009. The members of MOSH are WFH-Southeast Wisconsin, Inc. and TS Ortho, LLC, an independent physician-owned entity. Each member has a 50% ownership interest in MOSH. In April 2009, WFH invested \$4.9 million as start-up equity capital.

As of June 30, 2012 and 2011, respectively, MOSH has total assets of \$45,523 and \$44,919, member equity of \$42,951 and \$40,128, and total revenue of \$69,885 and \$55,240. WFH accounts for its 50% interest in MOSH under the equity method of accounting. For the years ended June 30, 2012 and 2011, WFSI has included its proportional share of MOSH's net income of \$16,406 and \$13,446, respectively, as other operating revenue in the accompanying consolidated statements of operations. Distributions are payable by MOSH at the discretion of the joint venture's board of managers. WFH received cash distributions of \$15,000 and \$13,000 from the joint venture during 2012 and 2011, respectively.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

(16) Commitments and Contingencies

(a) Operating Leases

WFSI and its subsidiaries have entered into various contracts for operating leases of office space, buildings, and equipment. During 2012 and 2011, WFSI and its subsidiaries recognized \$10,723 and \$11,048, respectively, of lease expense under these agreements.

As of June 30, 2012, scheduled annual contractual payments under operating leases for the next five years and thereafter are as follows:

Year ending June 30:	
2013	\$ 6,230
2014	4,958
2015	4,416
2016	3,811
2017	2,967
Thereafter	<u>13,379</u>
	<u>\$ 35,761</u>

(b) Housing Contingencies

FMI entered into multiple Capital Advance Program Mortgage Notes (the Notes) in the amount of \$17,100. The Notes bear no interest and repayment is not required as long as the housing projects remain available to low-income, elderly, or disabled persons in accordance with the National Affordable Housing Act of 1990 and are operated in accordance with the Regulatory Agreements and HUD Regulations. The Notes are secured by the mortgage upon the land, building, and equipment, and other amounts held by FMI. If a default occurs under the terms of the Notes, mortgages, the Regulatory Agreements, or the regulations, the entire principal and interest accrued at the stated rate would become immediately due and payable without notice. These Notes have been recorded as a direct addition to unrestricted net assets in the year received. FMI has not entered into any new notes in 2012 or 2011.

FMI also entered into agreements with various federal and state agencies whereby FMI received grants. In connection with these grants, FMI must not, among other things, dispose of any property under its control that was acquired and/or improved with grant funds for a period between 15 and 40 years. In the event of noncompliance, FMI would reimburse the agency the current fair market value of the property, less any portion of the value attributable to expenditures of nongrant funds for acquisition of, or improvement to, the property. These grants have been recorded as a direct addition to unrestricted net assets in the year received. Management believes FMI is in compliance with the grant agreements as of June 30, 2012 and 2011 and no amounts have been accrued in the accompanying consolidated balance sheets.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

(c) *Litigation*

WFSI and its subsidiaries are involved in litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate resolution of professional liability and other litigation matters will not have a material effect on the consolidated financial position or results from operations of WFSI and its subsidiaries.

(d) *State Sales and Property Tax Exemption*

Local taxing authorities throughout the country are increasingly challenging the sales and real estate tax exemptions of not-for-profit healthcare providers.

WFSI prevailed in the Wisconsin Supreme Court in its litigation related to the property tax exemption of one of its Wisconsin facilities. Since opening the Wheaton Franciscan, Inc. – Wauwatosa Campus outpatient center in 2003, the City of Wauwatosa (the City) has taken the stand that because there are physician offices in the building, the entire building is taxable and the City has assessed property taxes accordingly. WFSI has paid and expensed property taxes as assessed, which are included in purchased services, supplies, and other expenses. WFSI has maintained that the majority of the facility is dedicated to hospital-based services as an extension of Wheaton Franciscan, Inc., and therefore, it should be required to pay taxes only on the physician office space in the facility. WFSI appealed the City decision to tax the entire facility seeking a refund of the taxes it has paid to date on the property plus interest. That appeals process led to the case going before a Wisconsin Circuit Court in August 2007. On March 30, 2009, the court issued a decision in the matter in WFSI's favor granting the facility's tax exemption and ordered the City to refund the taxes paid to date. The City appealed the case. In August 2010, the Wisconsin Court of Appeals reversed the trial court decision and determined that the outpatient center in the City of Wauwatosa constitutes a "doctor's office" and, therefore, is ineligible for property tax exemption under Wisconsin law. In September 2010, WFSI filed a Petition for Review to the Wisconsin Supreme Court. On July 19, 2011, the Wisconsin Supreme Court reversed the Court of Appeals' decision and ruled in favor upholding the tax-exempt status of Wheaton Franciscan, Inc. The Court concluded that two-thirds of the outpatient facility was exempt from property tax. The Court reasoned that the facility was exempt because it was used for the primary purpose of a hospital. As a result of the Wisconsin Supreme Court decision, WFSI recognized a recovery of \$8,908 for related taxes, interest, and penalties as a reduction of 2011 purchased services, supplies, and other expenses.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

Notwithstanding the recent favorable decision in Wisconsin, where the majority of Wheaton Franciscan Healthcare's business is conducted, the State of Illinois is taking an alternative approach to property and sales tax for healthcare providers conducting business in its state. To date, the State of Illinois has revoked and/or is currently reviewing the ongoing property and sales tax exemption of several Illinois Hospitals (unrelated to Wheaton Franciscan Healthcare). The State's focus has been exclusively on the level of free or discounted care being provided by the hospital. Other charitable factors, such as the level of government payors and/or other community services provided by the hospitals, are generally not being considered by the State as factors relevant to exemption. The Illinois Hospital Association is negotiating with the State to develop legislative changes to clarify the standards applied for property and sales tax exemption; however, it is assumed that charity care will continue to be the determinative factor.

(e) *Regulatory Investigations*

DOJ, DOL, IRS, and other state and federal agencies also routinely conduct regulatory investigations and compliance audits of healthcare providers. WFSI and its subsidiaries are subject to these regulatory efforts. Management is currently unaware of any current regulatory matters that may have a material adverse effect on the consolidated financial position or results of operations.

(f) *Investment Risks and Uncertainties*

WFSI invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

(17) Subsequent Events

WFSI evaluated events and transactions through October 25, 2012, which is the date the consolidated financial statements were issued, noting no subsequent events other than those as previously described in the preceding notes, requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Balance Sheet Information

June 30, 2012

(In thousands)

Assets	WFSI Healthcare	WFSI Housing	Eliminations	WFSI consolidated
Current assets				
Cash and cash equivalents	\$ 50,465	9,405	—	59,870
Short-term investments	41,353	—	—	41,353
Assets whose use is limited – required for current liabilities	56,951	—	—	56,951
Patient accounts receivable, net of uncollectible accounts of approximately \$55,626	201,437	—	—	201,437
Securities lending collateral	4,514	—	—	4,514
Inventories of supplies	25,309	—	—	25,309
Prepaid expenses and other	42,060	497	(332)	42,225
Total current assets	422,089	9,902	(332)	431,659
Noncurrent assets whose use is limited	711,638	11,215	—	722,853
Property, plant, and equipment, net	1,005,105	81,189	—	1,086,294
Other assets				
Restricted assets	16,739	—	—	16,739
Deferred expenses, net	3,680	1,843	—	5,523
Investments in unconsolidated affiliates	22,198	—	—	22,198
Notes and accounts receivable, affiliated organizations	3,102	—	(3,102)	—
Other long-term assets	21,807	3,260	—	25,067
Total other assets	67,526	5,103	(3,102)	69,527
Total assets	\$ 2,206,358	107,409	(3,434)	2,310,333
Liabilities and Net Assets				
Current liabilities				
Current installments of long-term debt – bonds	\$ 9,255	—	—	9,255
Long-term debt subject to short-term remarketing agreements	40,038	—	—	40,038
Current installments of long-term debt – mortgages	—	1,912	—	1,912
Current installments of notes payable to affiliates	—	4,114	(4,114)	—
Accounts payable and accrued expenses	260,967	4,936	(332)	265,571
Payable under securities lending agreement	4,514	—	—	4,514
Estimated third-party payor settlements	22,383	—	—	22,383
Total current liabilities	337,157	10,962	(4,446)	343,673
Long-term debt, excluding current installments and net unamortized bond issue premiums – bonds	712,233	—	—	712,233
Long-term debt, excluding current installments – mortgages	—	36,298	—	36,298
Notes payable to affiliates, excluding current installments	—	3,102	(3,102)	—
Accrued pension liability	298,198	—	—	298,198
Other	96,816	1,192	—	98,008
Total liabilities	1,444,404	51,554	(7,548)	1,488,410
Net assets				
Unrestricted	745,215	55,855	4,114	805,184
Temporarily restricted	13,842	—	—	13,842
Permanently restricted	2,897	—	—	2,897
Total net assets	761,954	55,855	4,114	821,923
Total liabilities and net assets	\$ 2,206,358	107,409	(3,434)	2,310,333

See accompanying independent auditors' report

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Statement of Operations Information

Year ended June 30, 2012

(In thousands)

	WFSI Healthcare	WFSI Housing	Eliminations	WFSI consolidated
Net patient service revenues before bad debt	\$ 1,622,196	—	—	1,622,196
Provision for bad debts	80,564	—	—	80,564
Net patient service revenues before bad debt	1,541,632	—	—	1,541,632
Other revenues				
Other	153,726	27,895	(1,477)	180,144
Net assets released from restrictions	1,766	—	—	1,766
Total revenues	1,697,124	27,895	(1,477)	1,723,542
Expenses				
Salaries and fringe benefits	978,891	7,817	(279)	986,429
Purchased services, supplies, and other	540,753	10,587	(979)	550,361
Interest	32,116	2,449	(219)	34,346
Depreciation and amortization	104,132	4,709	—	108,841
Total expenses	1,655,892	25,562	(1,477)	1,679,977
Income from operations	41,232	2,333	—	43,565
Nonoperating gains (losses)				
Investment return	17,241	276	—	17,517
Loss on early extinguishment of debt	(123)	—	—	(123)
Loan forgiveness	—	797	—	797
Swap valuation adjustments	(1,294)	—	—	(1,294)
Loss on sale of business assets	—	(770)	—	(770)
Other, net	(21,790)	(579)	—	(22,369)
Nonoperating losses, net	(5,966)	(276)	—	(6,242)
Revenues and gains in excess of expenses and losses before discontinued operations	35,266	2,057	—	37,323
Gain from discontinued operations (including loss on sale of \$2,318)	4,403	—	—	4,403
Revenues and gains in excess of expenses and losses	39,669	2,057	—	41,726
Other changes in unrestricted net assets				
Net assets released from restrictions used for purchase of property, plant, and equipment	2,707	—	—	2,707
Change in unrecognized net defined benefit plan costs	(151,426)	—	—	(151,426)
Equity transactions of unconsolidated affiliates and other, net	(3,903)	—	—	(3,903)
Change in unrestricted net assets	\$ (112,953)	2,057	—	(110,896)

See accompanying independent auditors' report

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Balance Sheet Information

June 30, 2012

(In thousands)

Assets	Wheaton Franciscan Services, Inc.	Wheaton Franciscan Healthcare Southeast WI/ Medical Group	Marianjoy Rehabilitation Hospital & Clinics, Inc.
Current assets			
Cash and cash equivalents	\$ 48,761	211,778	16,676
Short-term investments	41,353	—	—
Assets whose use is limited – required for current liabilities	56,951	—	—
Patient accounts receivable, net of uncollectible accounts of approximately \$55,626	—	155,975	10,027
Securities lending collateral	4,514	—	—
Inventories of supplies	192	20,652	196
Prepaid expenses and other	16,366	20,812	2,917
Total current assets	<u>168,137</u>	<u>409,217</u>	<u>29,816</u>
Noncurrent assets whose use is limited	543,403	4,938	588
Property, plant, and equipment, net	72,128	636,614	62,640
Other assets			
Restricted assets	29	10,741	2,851
Deferred expenses, net	3,680	—	—
Investments in unconsolidated affiliates	916	21,282	—
Notes and accounts receivable, affiliated organizations	511,244	—	—
Other long-term assets	—	25,969	—
Total other assets	<u>515,869</u>	<u>57,992</u>	<u>2,851</u>
Total assets	\$ <u>1,299,537</u>	<u>1,108,761</u>	<u>95,895</u>
Liabilities and Net Assets (Deficit)			
Current liabilities			
Current installments of long-term debt – bonds	\$ 9,255	—	—
Long-term debt subject to short-term remarketing agreements	40,038	—	—
Current installments of long-term debt – mortgages	—	—	—
Current installments of notes payable to affiliates	—	—	—
Accounts payable and accrued expenses	394,090	95,121	5,658
Payable under securities lending agreement	4,514	—	—
Estimated third-party payor settlements	—	12,270	2,192
Total current liabilities	<u>447,897</u>	<u>107,391</u>	<u>7,850</u>
Long-term debt, excluding current installments and net unamortized bond issue premiums – bonds	712,233	—	—
Long-term debt, excluding current installments – mortgages	—	—	—
Notes payable to affiliates, excluding current installments	—	460,542	33,937
Accrued pension liability	298,198	—	—
Other	92,556	4,810	370
Total liabilities	<u>1,550,884</u>	<u>572,743</u>	<u>42,157</u>
Net assets (deficit)			
Unrestricted	(251,376)	525,277	50,887
Temporarily restricted	29	9,209	2,851
Permanently restricted	—	1,532	—
Total net assets (deficit)	<u>(251,347)</u>	<u>536,018</u>	<u>53,738</u>
Total liabilities and net assets (deficit)	\$ <u>1,299,537</u>	<u>1,108,761</u>	<u>95,895</u>

See accompanying independent auditors' report

Schedule 3

WFH-Iowa, Inc.	St. Catherine's Hospital, Inc.	OSF Services, Inc.	Franciscan Ministries, Inc.	Subtotal	Adjustments/ eliminations	Total
84 122	6 812	(155)	9 405	377 399	(317 529)	59 870
—	—	—	—	41 353	—	41 353
—	—	—	—	56 951	—	56 951
35 435	—	—	—	201 437	—	201 437
—	—	—	—	4 514	—	4 514
4 269	—	—	—	25 309	—	25 309
2 045	20	132	497	42 789	(564)	42 225
<u>125 871</u>	<u>6 832</u>	<u>(23)</u>	<u>9 902</u>	<u>749 752</u>	<u>(318 093)</u>	<u>431 659</u>
7 771	—	154 938	11 215	722 853	—	722 853
97 261	136 231	231	81 189	1 086 294	—	1 086 294
3 089	—	29	—	16 739	—	16 739
—	—	—	1 843	5 523	—	5 523
—	—	—	—	22 198	—	22 198
—	—	—	—	511 244	(511 244)	—
392	—	—	3 260	29 621	(4 554)	25 067
<u>3 481</u>	<u>—</u>	<u>29</u>	<u>5 103</u>	<u>585 325</u>	<u>(515 798)</u>	<u>69 527</u>
<u>234 384</u>	<u>143 063</u>	<u>155 175</u>	<u>107 409</u>	<u>3 144 224</u>	<u>(833 891)</u>	<u>2 310 333</u>
—	—	—	—	9 255	—	9 255
—	—	—	—	40 038	—	40 038
—	—	—	1 912	1 912	—	1 912
—	—	—	4 114	4 114	(4 114)	—
20 190	63 424	246	4 936	583 665	(318 094)	265 571
—	—	—	—	4 514	—	4 514
7 921	—	—	—	22 383	—	22 383
<u>28 111</u>	<u>63 424</u>	<u>246</u>	<u>10 962</u>	<u>665 881</u>	<u>(322 208)</u>	<u>343 673</u>
—	—	—	—	712 233	—	712 233
—	—	—	36 298	36 298	—	36 298
13 662	—	—	3 102	511 243	(511 243)	—
—	—	—	—	298 198	—	298 198
3 634	—	—	1 192	102 562	(4 554)	98 008
<u>45 407</u>	<u>63 424</u>	<u>246</u>	<u>51 554</u>	<u>2 326 415</u>	<u>(838 005)</u>	<u>1 488 410</u>
185 888	79 639	154 900	55 855	801 070	4 114	805 184
1 724	—	29	—	13 842	—	13 842
1 365	—	—	—	2 897	—	2 897
<u>188 977</u>	<u>79 639</u>	<u>154 929</u>	<u>55 855</u>	<u>817 809</u>	<u>4 114</u>	<u>821 923</u>
<u>234 384</u>	<u>143 063</u>	<u>155 175</u>	<u>107 409</u>	<u>3 144 224</u>	<u>(833 891)</u>	<u>2 310 333</u>

WHEATON FRANCISCAN SERVICES, INC.
Consolidating Statement of Operations Information
Year ended June 30, 2012
(In thousands)

	Wheaton Franciscan Services, Inc.	Wheaton Franciscan Healthcare Southeast WI/ Medical Group	Affinity Operations
Net patient service revenues before bad debt	\$ —	1,261,971	—
Provision for bad debts	—	68,475	—
Net patient service revenues	—	1,193,496	—
Other revenues			
Other	315,841	92,823	—
Net assets released from restrictions	—	1,106	—
Total revenues	<u>315,841</u>	<u>1,287,425</u>	<u>—</u>
Expenses			
Salaries and fringe benefits	196,884	677,171	—
Purchased services, supplies, and other	70,572	503,006	—
Interest	32,444	23,002	—
Depreciation and amortization	20,745	61,736	—
Total expenses	<u>320,645</u>	<u>1,264,915</u>	<u>—</u>
Income from operations	<u>(4,804)</u>	<u>22,510</u>	<u>—</u>
Nonoperating gains (losses)			
Investment return	(1,006)	9,052	—
Loss on early extinguishment of debt	(123)	—	—
Loan forgiveness	—	—	—
Swap valuation adjustments	(1,294)	—	—
Loss on sale of business assets	—	—	—
Other, net	(672)	(23,362)	—
Nonoperating gains (losses), net	<u>(3,095)</u>	<u>(14,310)</u>	<u>—</u>
Revenues and gains in excess of expenses and losses before discontinued operations	<u>(7,899)</u>	<u>8,200</u>	<u>—</u>
Gain from discontinued operations (including loss on sale of \$2,318)	—	—	4,403
Revenues and gains in excess of expenses and losses	<u>(7,899)</u>	<u>8,200</u>	<u>4,403</u>
Other changes in unrestricted net assets			
Net assets released from restrictions used for purchase of property, plant, and equipment	—	209	1,360
Change in unrecognized net defined benefit plan costs	(151,426)	—	—
Equity transactions of unconsolidated affiliates and other, net	28,368	—	(119,111)
Change in unrestricted net assets	<u>\$ (130,957)</u>	<u>8,409</u>	<u>(113,348)</u>

See accompanying independent auditors' report

Schedule 4

Marianjoy Rehabilitation Hospital & Clinics, Inc.	WFH-Iowa, Inc.	St. Catherine's Hospital, Inc.	OSF Services, Inc.	Franciscan Ministries, Inc.	Subtotal	Adjustments/ eliminations	Total
71 207	289 018	—	—	—	1 622 196	—	1 622 196
243	11 846	—	—	—	80 564	—	80 564
70 964	277 172	—	—	—	1 541 632	—	1 541 632
10 092	21 819	13 320	1 634	27 895	483 424	(303 280)	180 144
370	287	—	3	—	1 766	—	1 766
81 426	299 278	13 320	1 637	27 895	2 026 822	(303 280)	1 723 542
55 326	162 500	—	1 711	7 817	1 101 409	(114 980)	986 429
19 811	107 098	336	1 099	10 587	712 509	(162 148)	550 361
1 716	887	—	—	2 449	60 498	(26 152)	34 346
3 302	11 633	6 676	40	4 709	108 841	—	108 841
80 155	282 118	7 012	2 850	25 562	1 983 257	(303 280)	1 679 977
1 271	17 160	6 308	(1 213)	2 333	43 565	—	43 565
641	3 329	—	5 225	276	17 517	—	17 517
—	—	—	—	—	(123)	—	(123)
—	—	—	—	797	797	—	797
—	—	—	—	—	(1 294)	—	(1 294)
—	—	—	—	(770)	(770)	—	(770)
(129)	(657)	7	3 023	(579)	(22 369)	—	(22 369)
512	2 672	7	8 248	(276)	(6 242)	—	(6 242)
1 783	19 832	6 315	7 035	2 057	37 323	—	37 323
—	—	—	—	—	4 403	—	4 403
1 783	19 832	6 315	7 035	2 057	41 726	—	41 726
2	1 136	—	—	—	2 707	—	2 707
—	—	—	—	—	(151 426)	—	(151 426)
—	(383)	—	87 223	—	(3 903)	—	(3 903)
1 785	20 585	6 315	94 258	2 057	(110 896)	—	(110 896)

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Balance Sheet Information – The Obligated Group

June 30, 2012

(In thousands)

Assets	Wheaton Franciscan Services, Inc.	Southeast Wisconsin Region	Marianjoy Rehabilitation Hospital & Clinics, Inc.
Current assets			
Cash and cash equivalents	\$ 45,547	211,486	17,885
Short-term investments	41,353	—	—
Assets whose use is limited – required for current liabilities	56,951	—	—
Patient accounts receivable, net of uncollectible accounts of approximately \$49,965	—	150,607	8,601
Securities lending collateral	4,514	—	—
Inventories of supplies	192	17,827	196
Prepaid expenses and other	13,512	592,296	2,873
Total current assets	162,069	972,216	29,555
Noncurrent assets whose use is limited	502,624	4,691	—
Property, plant, and equipment, net	72,128	629,876	62,584
Other assets			
Restricted assets	29	4,729	—
Deferred expenses, net	3,680	—	—
Investments in unconsolidated affiliates	21,552	56,433	—
Notes and accounts receivable, affiliated organizations	511,244	87	—
Other long-term assets	—	23,322	—
Total other assets	536,505	84,571	—
Total assets	\$ 1,273,326	1,691,354	92,139
Liabilities and Net Assets (Deficit)			
Current liabilities			
Current installments of long-term debt – bonds	\$ 9,255	—	—
Long-term debt subject to short-term remarketing agreements	40,038	—	—
Accounts payable and accrued expenses	393,978	685,505	4,476
Payable under securities lending agreement	4,514	—	—
Estimated third-party payor settlements	—	12,270	2,192
Total current liabilities	447,785	697,775	6,668
Long-term debt, excluding current installments and net unamortized bond issue premiums – bonds	712,233	—	—
Notes payable to affiliates, excluding current installments	—	457,188	33,937
Accrued pension liability	298,198	—	—
Other	66,457	4,810	370
Total liabilities	1,524,673	1,159,773	40,975
Net assets (deficit)			
Unrestricted	(251,376)	526,852	51,164
Temporarily restricted	29	4,188	—
Permanently restricted	—	541	—
Total net assets (deficit)	(251,347)	531,581	51,164
Total liabilities and net assets (deficit)	\$ 1,273,326	1,691,354	92,139

See accompanying independent auditors' report

Schedule 5

Iowa Region	St. Catherine's Hospital, Inc.	Clara Pfaender Fund, Inc.	Subtotal	Adjustments/ eliminations	Total
84,120	6,812	—	365,850	(317,706)	48,144
—	—	—	41,353	—	41,353
—	—	—	56,951	—	56,951
29,757	—	—	188,965	—	188,965
—	—	—	4,514	—	4,514
3,884	—	—	22,099	—	22,099
2,199	20	—	610,900	(570,615)	40,285
119,960	6,832	—	1,290,632	(888,321)	402,311
—	—	—	507,315	5,816	513,131
82,614	136,231	—	983,433	—	983,433
210	—	—	4,968	9,538	14,506
—	—	—	3,680	—	3,680
—	—	—	77,985	(18,650)	59,335
12,945	—	—	524,276	(517,216)	7,060
392	—	—	23,714	(4,554)	19,160
13,547	—	—	634,623	(530,882)	103,741
216,121	143,063	—	3,416,003	(1,413,387)	2,002,616
—	—	—	9,255	—	9,255
—	—	—	40,038	—	40,038
18,082	63,424	—	1,165,465	(888,321)	277,144
—	—	—	4,514	—	4,514
5,870	—	—	20,332	—	20,332
23,952	63,424	—	1,239,604	(888,321)	351,283
—	—	—	712,233	—	712,233
26,091	—	—	517,216	(517,216)	—
—	—	—	298,198	—	298,198
2,372	—	—	74,009	(4,554)	69,455
52,415	63,424	—	2,841,260	(1,410,091)	1,431,169
163,496	79,639	—	569,775	(12,834)	556,941
210	—	—	4,427	8,547	12,974
—	—	—	541	991	1,532
163,706	79,639	—	574,743	(3,296)	571,447
216,121	143,063	—	3,416,003	(1,413,387)	2,002,616

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Statement of Operations Information – The Obligated Group

Year ended June 30, 2012

(In thousands)

	Wheaton Franciscan Services, Inc.	Southeast Wisconsin Region	Marianjoy Rehabilitation Hospital & Clinics, Inc.
Net patient service revenues before bad debt	\$ —	1,215,189	61,477
Provision for bad debts	—	67,486	(80)
Net patient service revenues	—	1,147,703	61,557
Other revenues			
Other	313,850	287,406	10,110
Net assets released from restrictions	—	991	370
Total revenues	313,850	1,436,100	72,037
Expenses			
Salaries and fringe benefits	196,884	637,601	44,444
Purchased services, supplies, and other	68,581	694,032	19,220
Interest	32,444	22,796	1,716
Depreciation and amortization	20,745	61,002	3,291
Total expenses	318,654	1,415,431	68,671
Income from operations	(4,804)	20,669	3,366
Nonoperating gains (losses)			
Investment return	(1,006)	9,052	607
Loss on early extinguishment of debt	(123)	—	—
Swap valuation adjustments	(1,294)	—	—
Other, net	(672)	(23,289)	(129)
Nonoperating gains (losses), net	(3,095)	(14,237)	478
Revenues and gains in excess of expenses and losses	(7,899)	6,432	3,844
Other changes in unrestricted net assets			
Net assets released from restrictions used for purchase of property, plant, and equipment	—	209	—
Change in unrecognized net defined benefit plan costs	(151,426)	—	—
Equity transactions of unconsolidated affiliates and other, net	28,368	—	(5,998)
Change in unrestricted net assets	\$ (130,957)	6,641	(2,154)

See accompanying independent auditors' report

Schedule 6

Iowa Region	St. Catherine's Hospital, Inc.	Clara Pfaender Fund, Inc.	Subtotal	Adjustments/ eliminations	Total
240.988	—	—	1,517.654	—	1,517.654
10.270	—	—	77.676	—	77.676
230.718	—	—	1,439.978	—	1,439.978
35.119	13.320	(1.680)	658.125	(520.853)	137.272
286	—	—	1.647	—	1.647
266.123	13.320	(1.680)	2,099.750	(520.853)	1,578.897
142.825	—	—	1,021.754	(114.701)	907.053
102.342	336	—	884.511	(380.681)	503.830
1.628	—	—	58.584	(26.491)	32.093
9.225	6.676	—	100.939	—	100.939
256.020	7.012	—	2,065.788	(521.873)	1,543.915
10.103	6.308	(1.680)	33.962	1.020	34.982
3.927	—	1.638	14.218	(764)	13.454
—	—	—	(123)	—	(123)
—	—	—	(1.294)	—	(1.294)
(317)	7	3.026	(21.374)	—	(21.374)
3.610	7	4.664	(8.573)	(764)	(9.337)
13.713	6.315	2.984	25.389	256	25.645
848	—	—	1.057	—	1.057
—	—	—	(151.426)	—	(151.426)
7.612	—	(31.353)	(1.371)	—	(1.371)
22.173	6.315	(28.369)	(126.351)	256	(126.095)