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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

ROOTED IN GOD’S LOVE, WE TREAT ILLNESS AND PROMOTE WELLNESS FOR ALL PEOPLE CANDLER HOSPITAL, INC PROVIDES COMPREHENSIVE HEALTHCARE SERVICES TO THE SURROUNDING COUNTIES THROUGH THE OPERATION OF A 331-BED ACUTE CARE HOSPITAL IN SAVANNAH, GA

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 \$ 160,621,901 including grants of \$) (Revenue \$ 210,598,029)

CANDLER HOSPITAL, INC IS AN ACUTE CARE HOSPITAL LOCATED IN SAVANNAH, GEORGIA IN FURTHERANCE OF ITS TAX-EXEMPT PURPOSE, CANDLER HOSPITAL, INC 1) MAINTAINS AND OPERATES PERMANENT FACILITIES THAT PROVIDE BOTH INPATIENT AND OUTPATIENT SERVICES FOR PROVIDING DIAGNOSES AND TREATMENT OF PATIENTS SUFFERING FROM ILLNESS OR INJURY, 2) PROMOTES AND PROVIDES HEALTH EDUCATION PROGRAMS, SUPPORT GROUPS, AND VARIOUS COMMUNITY SERVICES FOR ALL PEOPLE OF SAVANNAH AND THE SURROUNDING COUNTIES, 3) ENCOURAGES AND PARTICIPATES IN HEALTH SCIENCES RESEARCH FOR TREATMENT OF ILLNESS AND PROMOTION OF HEALTH, 4) PRESERVES AND INCORPORATES ITS FAITH-BASED PHILOSOPHY OF THE HOSPITAL IN ALL ITS ACTIVITIES AND CONTRACTS DURING THE FISCAL YEAR ENDED JUNE 30, 2012, THE HOSPITAL SERVED PATIENTS FOR A TOTAL OF 68,632 PATIENT DAYS AND 15,004 DISCHARGES EMERGENCY ROOM VISITS TOTALED 50,643 THE HOSPITAL ALSO PROVIDED SERVICES FOR 334,032 OUTPATIENT VISITS

4b

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4c

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4d

Other program services (Describe in Schedule O)





















(Expenses \$ including grants of \$) (Revenue \$)

4e

Total program service expenses \$ 160,621,901

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
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	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		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 <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	74
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	2,085
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	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a	
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the aggregate amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		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?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?		No
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?	Yes	
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		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?		No
10b	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?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	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	Yes	
12b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	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?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	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?	Yes	
16b	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?	Yes	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	GA
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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> 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.	GREGORY J SCHAACK 5353 REYNOLDS STREET SAVANNAH, GA 31405 (912) 819-6162

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

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

Form **990** (2011)

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	4,058,212	1,477,209	737,605

2 Total number of individuals (including but not limited to those listed in Item 1) who received or accrued compensation in excess of \$100,000 of reportable compensation from the organization. 78

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
MORRISON'S MANAGEMENT SPECIALISTS PO BOX 102289 ATLANTA, GA 30368	DIETARY	2,937,605
ANESTHESIA ASSOCIATES 6605 ABERCORN ST SUITE 108 SAVANNAH, GA 31405	ANESTHESIA	1,652,792
CHATHAM HOSPITALIST LLC 5354 REYNOLDS STREET STE 424 SAVANNAH, GA 31405	CONSULTING	911,071
AFFILIATED COMPUTER SERVICES INC PO BOX 201322 DALLAS, TX 753201322	COLLECTION	384,213
STIR LLC 125 SHILOH ROAD ELLAVILLE, GA 31806	CREATIVE SVCS	310,278

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶30

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	7,806,569				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,261,066				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		9,067,635				
Program Service Revenue			Business Code					
	2a	NET PATIENT REVENUE	624100	202,736,874	202,736,874			
	b	PRESCRIPTION CENTER RELATED	624100	3,903,686	3,903,686			
	c	REFERENCE LAB RELATED	621500	800,849	800,849			
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		207,441,409				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		772,925			772,925	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	Gross rents	(i) Real	(ii) Personal				
			3,178,185					
			3,178,185					
	d	Net rental income or (loss)		3,178,185			3,178,185	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
	d	Net gain or (loss)						
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events . .						
	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 . .						
	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 . .						
	Miscellaneous Revenue		Business Code					
11a	OTHER OPERATING REVENUE	812900	3,156,620	3,156,620				
b	PRESCRIPTION CENTER	624100	2,621,704		2,621,704			
c	REFERENCE LAB	621500	2,346,432		2,346,432			
d	All other revenue		1,467,368		1,047,794	419,574		
e	Total. Add lines 11a-11d		9,592,124					
12	Total revenue. See Instructions		230,052,278	210,598,029	6,015,930	4,370,684		

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				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,578,492		1,578,492	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	81,763,891	64,833,120	16,930,771	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,887,588	2,289,658	597,930	
9	Other employee benefits	10,985,561	8,803,982	2,181,579	
10	Payroll taxes	4,744,829	3,762,322	982,507	
11	Fees for services (non-employees)				
a	Management				
b	Legal	649,142		649,142	
c	Accounting	199,998		199,998	
d	Lobbying	71,352		71,352	
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	23,660,285	16,245,986	7,414,299	
12	Advertising and promotion	780,745		780,745	
13	Office expenses	21,484,599	19,395,025	2,089,574	
14	Information technology	116,128	116,128		
15	Royalties				
16	Occupancy	9,622,696	6,004,315	3,618,381	
17	Travel	255,764	194,276	61,488	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	77,227	53,680	23,547	
20	Interest	895,777		895,777	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	12,236,855	10,377,342	1,859,513	
23	Insurance	2,869,920	134,427	2,735,493	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	24,111,453	24,106,150	5,303	
b	REPAIRS & MAINTENANCE	6,124,658	3,015,432	3,109,226	
c	OTHER	1,205,469	1,205,469		
d	DUES	99,390	84,589	14,801	
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	206,421,819	160,621,901	45,799,918	0
26	Joint costs. Check here <input type="checkbox"/> 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			4,548	1	45,573
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			22,903,507	4	28,383,249
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net			83,189	7	31,877
	8	Inventories for sale or use			3,880,306	8	4,122,919
	9	Prepaid expenses and deferred charges			347,316	9	509,554
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	256,963,024			
	b	Less: accumulated depreciation	10b	173,639,048	65,257,633	10c	83,323,976
	11	Investments—publicly traded securities			1,162,565	11	387,704
	12	Investments—other securities. See Part IV, line 11			1,428,822	12	2,042,041
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets			891,936	14	49,473,769
	15	Other assets. See Part IV, line 11			9,871,093	15	9,241,129
	16	Total assets. Add lines 1 through 15 (must equal line 34)			105,830,915	16	177,561,791
Liabilities	17	Accounts payable and accrued expenses			13,437,345	17	16,594,567
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			48,373,289	20	45,087,671
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	44,979,913
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			17,638,427	25	14,535,887
	26	Total liabilities. Add lines 17 through 25			79,449,061	26	121,198,038
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			22,135,663	27	51,739,492
	28	Temporarily restricted net assets			3,286,191	28	3,664,261
	29	Permanently restricted net assets			960,000	29	960,000
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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			26,381,854	33	56,363,753
	34	Total liabilities and net assets/fund balances			105,830,915	34	177,561,791

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	230,052,278
2	Total expenses (must equal Part IX, column (A), line 25)	2	206,421,819
3	Revenue less expenses Subtract line 2 from line 1	3	23,630,459
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	26,381,854
5	Other changes in net assets or fund balances (explain in Schedule O)	5	6,351,440
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	56,363,753

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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 <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> 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 CANDLER HOSPITAL INC	Employer identification number 58-0593388
--	--

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year	(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	(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

16b 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

17b 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 CANDLER HOSPITAL INC	Employer identification number 58-0593388
--	--

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?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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?		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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)?	Yes		
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV		No	
j Total lines 1c through 1i			71,352	
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
	SCHEDULE C, PART II-B, LINE 1	PART II-B, LINE 1G - COSTS INCURRED TO EDUCATE LEGISLATORS ON HEALTHCARE MATTERS AND ADVOCATE FOR HEALTHCARE ISSUES IMPORTANT TO GEORGIA CITIZENS AND THE ORGANIZATION

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization
CANDLER HOSPITAL INC

Employer identification number
58-0593388

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? <div><input type="checkbox"/> Yes<input checked="" type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes<input checked="" type="checkbox"/> No</div>	

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▶ \$ _____

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)

- ☐ Public exhibition

☐ Loan or exchange programs
- ☐ Scholarly research

☐ Other
- ☐ Preservation for future generations

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

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

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

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

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

	Amount
1c	
1d	
1e	
1f	

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

- Board designated or quasi-endowment ▶
- Permanent endowment ▶
- Term endowment ▶

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

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

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		4,214,600		4,214,600
b Buildings		136,794,649	79,640,024	57,154,625
c Leasehold improvements		3,504,729	2,865,007	639,722
d Equipment		111,444,132	91,134,017	20,310,115
e Other		1,004,914		1,004,914
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				83,323,976

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	230,052,278	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	206,421,819	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	23,630,459	
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	-10,640,601	
9	Total adjustments (net) Add lines 4 - 8	9	-10,640,601	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	12,989,858	
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	219,411,677	
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	97,407	
e	Add lines 2a through 2d	2e	97,407	
3	Subtract line 2e from line 1	3	219,314,270	
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	10,738,008	
c	Add lines 4a and 4b	4c	10,738,008	
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12) 	5	230,052,278	
Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return				
1	Total expenses and losses per audited financial statements 	1	206,421,819	
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	206,421,819	
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	206,421,819	
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
LIABILITY UNDER FIN 48 FOOTNOTE	SCHEDULE D, PAGE 3, PART X	THE SYSTEM, CH, SJH, HOME HEALTH, PAVILION AND INFIRMARY ARE GENERALLY EXEMPT FROM FEDERAL AND STATE INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. ONLY NET INCOME FROM ACTIVITIES DESIGNATED AS UNRELATED TO THE EXEMPT PURPOSES OF CH, SJH, HOME HEALTH, PAVILION AND INFIRMARY ARE SUBJECT TO FEDERAL AND STATE UNRELATED BUSINESS INCOME TAX. GEECHEE IS ORGANIZED AS A SINGLE MEMBER LLC OWNED BY SYSTEM AND IS TREATED AS A DISREGARDED ENTITY FOR TAX PURPOSES. THE SYSTEM APPLIES ACCOUNTING POLICIES THAT PRESCRIBE WHEN TO RECOGNIZE AND HOW TO MEASURE THE FINANCIAL STATEMENT EFFECTS OF INCOME TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN ON ITS INCOME TAX RETURNS. THESE RULES REQUIRE MANAGEMENT TO EVALUATE THE LIKELIHOOD THAT, UPON EXAMINATION BY THE RELEVANT TAXING JURISDICTIONS, THOSE INCOME TAX POSITIONS WOULD BE SUSTAINED. BASED ON THAT EVALUATION, THE SYSTEM ONLY RECOGNIZES THE MAXIMUM BENEFIT OF EACH INCOME TAX POSITION THAT IS MORE THAN 50% LIKELY OF BEING SUSTAINED. TO THE EXTENT THAT ALL OR A PORTION OF THE BENEFITS OF AN INCOME TAX POSITION ARE NOT RECOGNIZED, A LIABILITY WOULD BE RECOGNIZED FOR THE UNRECOGNIZED BENEFITS, ALONG WITH ANY INTEREST AND PENALTIES THAT WOULD RESULT FROM DISALLOWANCE OF THE POSITION. SHOULD ANY SUCH PENALTIES AND INTEREST BE INCURRED, THEY WOULD BE RECOGNIZED AS OPERATING EXPENSES. BASED ON THE RESULTS OF MANAGEMENT'S EVALUATION, NO LIABILITY IS RECOGNIZED IN THE ACCOMPANYING COMBINED BALANCE SHEETS FOR UNRECOGNIZED INCOME TAX POSITIONS. FURTHER, NO INTEREST OR PENALTIES HAVE BEEN ACCRUED OR CHARGED TO EXPENSE AS OF JUNE 30, 2012 AND 2011 OR FOR THE YEARS THEN ENDED. THE SYSTEM'S OPEN AUDIT PERIODS ARE FOR TAX YEARS ENDED 2009-2011. SJCV, SJCMG, PROPERTIES AND HEALTH SERVICES HAVE GENERALLY INCURRED OPERATING LOSSES FOR TAX PURPOSES AND HAVE NOT RECORDED A CURRENT OR DEFERRED TAX PROVISION DUE TO SIGNIFICANT NET OPERATING LOSS (NOL) CARRYFORWARDS WHICH WOULD BE UTILIZED TO OFFSET ANY POTENTIAL TAX LIABILITIES GENERATED FROM FUTURE TAXABLE INCOME. AT JUNE 30, 2012, NOL CARRYFORWARDS EXPIRING THROUGH 2032 AMOUNTED TO APPROXIMATELY 90,674,000 AND ARE AVAILABLE FOR THE OFFSET OF FUTURE TAXABLE INCOME. NAME ABBREVIATIONS ARE LISTED BELOW: SYSTEM - ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC; CH - CANDLER HOSPITAL, INC; SJH - ST. JOSEPH'S HOSPITAL, INC; HOME HEALTH - SJC HOME HEALTH SERVICES, INC; PAVILION - CANCER CARE PAVILION, INC; INFIRMARY - GEORGIA INFIRMARY, INC; SJCV - SJC VENTURES, INC; SJCMG - SJC MEDICAL GROUP, INC; PROPERTIES - SJC PROPERTIES, INC; HEALTH SERVICES - SJC HEALTH SERVICES, INC.
RECONCILIATION OF CHANGES - OTHER	SCHEDULE D, PAGE 4, PART XI, LINE 8	UNREALIZED CHANGE IN DERIVATIVES 97,407; CAPITAL CONTRIBUTIONS -7,633,284; UNREALIZED GAIN ON RATE SWAP VALUATION -3,104,724.
REVENUE AMOUNTS INCLUDED IN FINANCIALS - OTHER	SCHEDULE D, PAGE 4, PART XII, LINE 2D	UNREALIZED CHANGE IN DERIVATIVES 97,407.
REVENUE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XII, LINE 4B	CAPITAL CONTRIBUTIONS 7,633,284; UNREALIZED GAIN ON RATE SWAP VALUATION 3,104,724.
SUPPLEMENTAL FINANCIAL INFORMATION	SCHEDULE D, PAGE 4, PART XIV	PART XI, XII, XIII - RECONCILIATIONS ARE COMPLETED USING THE COMBINING BALANCE SHEETS AND COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES) LOCATED IN THE AUDITED FINANCIAL STATEMENTS OF ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

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
CANDLER HOSPITAL INC

Employer identification number
58-0593388

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 <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
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 <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input type="checkbox"/> 200%<input checked="" type="checkbox"/> Other <u>2.50000 %</u></div> 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 <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input checked="" type="checkbox"/> Other <u>5.00000 %</u></div> 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	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H				

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			7,688,823		7,688,823	3 720 %
b Medicaid (from Worksheet 3, column a)			23,285,478	20,146,601	3,138,877	1 520 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			305,298	48,126	257,172	0 120 %
d Total Charity Care and Means-Tested Government Programs			31,279,599	20,194,727	11,084,872	5 370 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			782,583	119,245	663,338	0 320 %
f Health professions education (from Worksheet 5)			35,528		35,528	0 020 %
g Subsidized health services (from Worksheet 6)			193,540		193,540	0 090 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			503,187		503,187	0 240 %
j Total Other Benefits			1,514,838	119,245	1,395,593	0 680 %
k Total. Add lines 7d and 7j			32,794,437	20,313,972	12,480,465	6 050 %

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			7,471		7,471	
2Economic development			5,403		5,403	
3Community support			24,142		24,142	0 010 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building			4,827		4,827	
7Community health improvement advocacy			149		149	
8Workforce development			33,783		33,783	0 020 %
9Other						
10Total			75,775		75,775	0 040 %

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	232,697,299	
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)	581,159,943	
6	Enter Medicare allowable costs of care relating to payments on line 5	681,197,923	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7-37,980	
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: <input checked="" type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9aYes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	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 %
1SAVANNAH GASTROENTER	GASTROENTEROLOGY SERVICES	25 000 %		50 000 %
2SJCOIS OP IMAGING	O/P IMAGING SERVICES	25 000 %		50 000 %
3SJCOIS METRO IMAGIN	O/P IMAGING SERVICES	25 000 %		50 000 %
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

CANDLER 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 <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	No
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 <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> 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 <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> 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 <u>250</u> 0% 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>500 0</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 <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> 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 <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> 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 <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input checked="" type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> 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? 1

Name and address		Type of Facility (Describe)
1	CANDLER HOSPITAL SNF 5353 REYNOLDS STREET SAVANNAH, GA 31405	SKILLED NURSING FACILITY
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
RELATED ORGANIZATION INFORMATION	PART I LINE 6A	THE HOSPITALS COMMUNITY BENEFIT REPORT IS REPORTED AS PART OF THE COMBINED ANNUAL REPORT PREPARED BY ST JOSEPHSCANDLER HEALTH SYSTEM INC

Identifier	ReturnReference	Explanation
SUBSIDIZED HEALTH SERVICES EXPLANATION	PART I LINE 7G	THIS SECTION INCLUDES MOBILE OUTREACH SERVICES WHICH PROVIDE FREE SCREENINGS IN THE COMMUNITY AS WELL AS OTHER SUBSIDIZED CARE IN HOME SERVICES ASSISTED LIVING AND THE SUPPLY OF DURABLE MEDICAL EQUIPMENT AND SUPPLIES

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	THE DATA REPORTED IN THIS AREA IS REPORTED AS INSTRUCTED BY CATHOLIC HEALTH ASSOCIATIONS A GUIDE FOR PLANNING AND REPORTING COMMUNITY BENEFITS 2008 SEE ALSO THE DESCRIPTION FOR PART III LINE 4

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	PART II	ST JOSEPHSCANDLERS ST MARYS COMMUNITY CENTER BELIEVES THAT MANY ASPECTS OF LIFE CONTRIBUTE TO GOOD HEALTH A PERSONS PHYSICAL AND MENTAL HEALTH IS INFLUENCED BY THE ENVIRONMENT WHETHER POSITIVE OR FILLED WITH DISEASE SINCE WE ARE CONCERNED WITH THE WHOLE PERSON ST JOSEPHSCANDLER PROVIDES ASSISTANCE IN SPIRITUAL CARE HOUSING EDUCATION JOB TRAINING FOOD TRANSPORTATION AND ADVOCACY WITH EIGHT FULLTIME CHAPLAINS MORE THAN ANY OTHER HOSPITAL IN THE STATE OF GEORGIA ST JOSEPHSCANDLER PROVIDES PASTORAL CARE OUTREACH TO ANYONE SEEKING ASSISTANCE AS REPORTED IN THE COMMUNITY HEALTH IMPROVEMENT SERVICES SUCH UNREIMBURSED SERVICES PROVIDE NECESSARY SPIRITUAL SUPPORT FOR MANY UNDERSERVED CITIZENS WHO ARE WITHOUT A CHURCH HOME OR ACCESS TO A MINISTER OUR INHOUSE PASTORAL CARE SERVICES ALSO REDUCE THE BURDEN OF MINISTERS AND CHURCHES THROUGHOUT THE COMMUNITY THE ST JOSEPHSCANDLER AFRICAN AMERICAN HEALTH INFORMATION AND RESOURCE CENTER NOW 12 YEARS OLD PROVIDES FREE COMPUTER CLASSES AN INTERNET CENTER SUPPORT AND HEALTH INFORMATION AND EDUCATION IN AN ENVIRONMENT OF TRUST SAFE AFFORDABLE HOUSING IS ESSENTIAL TO GOOD HEALTH FOR SIXTEEN YEARS ST JOSEPHSCANDLER HAS BEEN A PARTNER WITH MERCY HOUSING WHICH BUILDS AND RENOVATES AFFORDABLE HOUSING ST JOSEPHSCANDLERS COWORKERS ALSO VOLUNTEER FOR REBUILDING TOGETHER AND HABITAT FOR HUMANITY FIXING LEAKING ROOFS MOLD LEAD PAINT AND DILAPIDATED FLOORING ALL CONTRIBUTE TO GOOD HEALTH ST JOSEPHSCANDLER SUPPORTS EDUCATION AS A MEANS TO A GOOD PAYING JOB THE SYSTEM FULLY FUNDS YEAR ROUND THE ST MARYS GED PROGRAM AND PROVIDES A PRESCHOOL PROGRAM AFTER SCHOOL PROGRAM AND SUMMER CAMP FOR YOUNG CHILDREN THE THREE AND FOUR YEAR OLDS SERVED ARE TWO YEARS BEHIND THEIR COUNTERPARTS IN LANGUAGE DEVELOPMENT SUCCESSFUL LANGUAGE DEVELOPMENT INFLUENCES SCHOOL SUCCESS AND ULTIMATELY A GOOD JOB

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	AMOUNTS INCLUDED ON PART II LINE 2 REPRESENT THE AMOUNT OF CHARGES CONSIDERED UNCOLLECTIBLE AFTER REASONABLE ATTEMPTS TO COLLECT AND WRITTEN OFF TO BAD DEBT EXPENSE EXCERPT FROM AUDITED FINANCIAL STATEMENTS ALLOWANCE FOR DOUBTFUL ACCOUNTS MANAGEMENT PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED ON AN EVALUATION OF THE OVERALL COLLECTIBILITY OF THE ACCOUNTS RECEIVABLE AS ACCOUNTS ARE KNOWN TO BE UNCOLLECTIBLE THEY ARE CHARGED AGAINST THE ALLOWANCE

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	PATIENT FINANCIAL COUNSELORS VISIT PATIENTS WHO HAVE NO INSURANCE LIMITED COVERAGE AND MEDICAID PATIENTS WITHOUT SUPPLEMENTAL INSURANCE TO DISCUSS ASSISTANCE AND REFER THOSE PATIENTS TO OUR MEDICAID ELIGIBILITY VENDOR WHO SCREEN THESE PATIENTS FOR MEDICAID AND OTHER FEDERAL STATE OR LOCAL PROGRAMS FOR ASSISTANCE CUSTOMER SERVICE AT THE HOSPITAL AND AT EXTENDED BUSINESS OFFICE WHICH DOES SELFPAY BILLING AND COLLECTION INFORM PATIENTS ABOUT OUR FINANCIAL ASSISTANCE PROGRAM AND ASSIST THEM IN MAKING AN APPLICATION BILLING STATEMENTS PROVIDE A MESSAGE AND TELEPHONE NUMBER TO CALL IF THE PATIENT HAS DIFFICULTY MAKING PAYMENT FOR PATIENTS WHO QUALIFY FOR CHARITY CARE AND FULL FINANCIAL ASSISTANCE THERE IS NO FINANCIAL OBLIGATION FOR THOSE WHO QUALIFY FOR PARTIAL FINANCIAL ASSISTANCE COLLECTION PROCEDURES FOLLOW THE SAME PROCESS AS ALL OTHER PATIENTS WHO ARE RESPONSIBLE FOR UNPAID BALANCES THOSE PATIENTS WHO HAVE NOT MADE PAYMENT ARRANGEMENTS FOR THEIR REMAINING BALANCES ARE SENT LETTERS WHEN THEY ARE PAST DUE 30 60 AND 90 DAYS IF PAYMENT ARRANGEMENTS ARE STILL NOT MADE AFTER 90 DAYS THEN THOSE ACCOUNTS ARE REFERRED TO COLLECTIONS BEFORE REFERRAL TO A COLLECTION AGENCY ANY ACCOUNT 2500 OR LARGER IS SCORED FOR ABILITY TO PAY USING PARO SOFTWARE AND IF THE PATIENT QUALIFIES FOR CHARITY CARE OR FULL FINANCIAL ASSISTANCE THE ACCOUNT IS WRITTEN OFF AS PRESUMPTIVE ELIGIBILITY AND NOT REFERRED TO THE AGENCY

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	<p>ST JOSEPHSCANDLER HEALTH SYSTEM CONTINUALLY CONDUCTS VARIOUS TYPES OF ASSESSMENTS TO DETERMINE THE COMMUNITYS NEEDS FOR HEALTH AND PERSONAL SUPPORT SERVICES OUR SYSTEM COLLABORATES WITH NUMEROUS NOTFORPROFIT AGENCIES AND PROGRAMS TO EXTEND AND STRENGTHEN OUR MISSION OUR PROGRAMS ARE SUCCESSFUL DUE IN LARGE PART BECAUSE OF THESE COLLABORATIONS SOME EXAMPLES INCLUDE THE CHATHAM COUNTY SAFETY NET CITY OF SAVANNAHS STEP UP POVERTY REDUCTION INITIATIVE ARMSTRONG ATLANTIC STATE UNIVERSITY SAVANNAH TECHNICAL COLLEGE SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY AND MANY MORE MANY OF OUR SYSTEM COWORKERS ARE ALSO INVOLVED AT EVERY LEVEL OF THE COMMUNITY THROUGH THEIR WORK AS SYSTEM REPRESENTATIVES ON NOTFOR PROFIT BOARDS SUCH AS AMERICAN HEART ASSOCIATION THE UNITED WAY MERCY HOUSING SECOND HARVEST FOOD BANK WESLEY COMMUNITY CENTER AND SAFE SHELTER OF SAVANNAH ST JOSEPHSCANDLER ALSO SOLICITS INPUT ON COMMUNITY NEEDS FROM COMMUNITY LEADERS PROFESSIONALS AND MEMBERS WHO PARTICIPATE ON OUTREACH ADVISORY BOARDS SJCS AFRICAN AMERICAN HEALTH INFORMATION RESOURCE CENTER GOOD SAMARITAN CLINIC SMART SENIOR ST MARYS COMMUNITY CENTER AND ST MARYS HEALTH CENTER HAVE INDIVIDUAL ADVISORY BOARDS COMPRISED OF THOSE PERSONS WHO HAVE SPECIAL INTEREST SKILLS KNOWLEDGE AND ENTHUSIASM ABOUT THE PROGRAMS UNIQUE SERVICES PROGRAM FORUMS AT EACH OUTREACH SITE ALSO PROVIDE DIRECT FEEDBACK FROM THE CLIENTS WHO USE THEIR SERVICES THIS ENSURES EACH SITE CONTINUES TO PROVIDE A SERVICE THE COMMUNITY NEEDS AND BENEFITS FROM WITH OUR PARTNERS WE LISTEN TO OUR PATIENTS AND CLIENTS AS WELL AS ACCESS EXISTING NEEDS ASSESSMENTS AND STUDIES IN ORDER TO DETERMINE THE COMMUNITYS MOST PRESSING NEEDS ST JOSEPHSCANDLER USES FEDERAL INFORMATION AND REPORTS FROM AGENCIES SUCH AS THE US CENSUS BUREAU AND BUREAU OF LABOR STATISTICS AS WELL AS RESOURCES SUCH AS CLARITAS THAT PROVIDES A WIDE ARRAY OF DEMOGRAPHICS HOUSEHOLD INCOME AND SERVICES RETAIL OUTLETS ETC IN DEFINED ZIP CODES THIS INFORMATION COMBINED WITH OUR EXTENSIVE COLLABORATIONS AND OUR ROLE AS A LEADER IN THE COMMUNITY PROVIDES US THE MEANS TO UNDERSTAND AND ADDRESS THE COMMUNITYS NEEDS AND ENSURES OUR OUTREACH PROGRAMS ARE FOCUSED ON THE POPULATIONS WHO NEED OUR SERVICES THE MOST</p>

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	CUSTOMER SERVICE PERSONNEL AT THE HOSPITALS AND ST JOSEPHSCANDLERS EXTENDED BUSINESS OFFICE INFORM PATIENTS ABOUT OUR FINANCIAL ASSISTANCE PROGRAM AND ASSIST THEM IN MAKING AN APPLICATION FOR PATIENTS WHO HAVE NO INSURANCE LIMITED COVERAGE AND MEDICAID PATIENTS WITHOUT SUPPLEMENTAL INSURANCE PATIENT FINANCIAL COUNSELORS DISCUSS THE FINANCIAL ASSISTANCE AND VARIOUS GOVERNMENT BENEFITS WHICH MAY BE AVAILABLE TO THEM PATIENT FINANCIAL COUNSELORS ALSO REFER APPROPRIATE PATIENTS TO A MEDICAID ELIGIBILITY VENDOR WHO SCREENS THEM FOR MEDICAID AND OTHER FEDERAL STATE OR LOCAL PROGRAMS FOR ASSISTANCE ST JOSEPHSCANDLER POSTS FINANCIAL ASSISTANCE CONTACT INFORMATION ON ITS WEBSITE UPON ADMISSION TO THE HOSPITAL PATIENTS ARE PROVIDED THE GUIDE TO YOUR HOSPITAL BILL WHICH INFORMS THEM HOW TO UNDERSTAND THEIR BILL AS WELL AS A SUMMARY OF THE HOSPITALS FINANCIAL ASSISTANCE POLICY IN ADDITION THE BILLING STATEMENTS SENT TO PATIENTS PROVIDE A MESSAGE AND FINANCIAL ASSISTANCE CONTACT INFORMATION IN THE EVENT THE PATIENT HAS DIFFICULTY PAYING THE BALANCE DUE

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	ST JOSEPHSCANDLER IS LOCATED IN SAVANNAH GA THE METROPOLITAN STATISTICAL AREA DEFINED BY THE US CENSUS BUREAU INCLUDES CHATHAM BRYAN AND EFFINGHAM COUNTIES IN 2011 THE POPULATION BASE CONSISTED OF APPROXIMATELY 347611 PEOPLE ST JOSEPHSCANDLER SERVES A 33 COUNTY 8 CLUSTER REGION COMPRISED OF APPROXIMTELY 1162605 PEOPLE THE PERSONS SERVED ARE DIVIDED INTO FOUR 4 CATEGORIES INCLUDING CAUCASION AFRICAN AMERICAN HISPANIC AND OTHER OUR SERVICE AREA IN SAVANNAH SHOWS THAT 549 OF THE TOTAL POPULATION IS CAUCASIAN AND 402 IS AFRICAN AMERICAN THE REMAINING POPULATION IS SPLIT ALMOST EVENLY WITH THE HISPANIC POPULATION CONTINUING TO HAVE A MARGINAL LEAD IN GROWTH SINCE 2010 SAVANNAH IS LOCATED IN CHATHAM COUNTY GA CHATHAM COUNTYS DEMOGRAPHIC PROFILE AS DESCRIBED IN THE 2011 US CENSUS REPORT REFLECTS THAT OF THE 271544 PEOPLE POPULATION 181 OF THEM LIVE BELOW POVERTY COMPARED TO 165 IN GEORGIA THE PER CAPITA INCOME OF CHATHAM COUNTY FAMILIES IS REPORTED AT 25394 ADDITIONALLY 83 OF THE POPULATION HAS LESS THAN A HIGH SCHOOL DIPLOMA THE HIGH POVERTY RATE AND LACK OF A BASIC EDUCATION CONTRIBUTE THE REGIONS HIGH UNEMPLOYMENT RATE OF 87 OTHER SOCIAL FACTORS AFFECTING CHATHAM COUNTY INCLUDE ACCESS TO HEALTHCARE POOR EDUCATION POOR NUTRITION LACK OF WORKFORCE TRAINING AND ACCESS TO SAFE AND AFFORDABLE HOUSING THE THREE MAJOR CAUSES OF DEATH REPORTED BY THE COASTAL HEALTH DISTRICT ARE 1 HEART DISEASE 2 CANCER AND 3 STROKE

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	ALL OF ST JOSEPHSCANDLERS HEALTHCARE FACILITIES INCLUDING ITS HOSPITALS FURTHER THEIR EXEMPT PURPOSES BY PROMOTING THE HEALTH IN OUR COMMUNITY IN A VARIETY OF WAYS AS WELL AS THOSE ALREADY DESCRIBED IN SCHEDULE H AND ST JOSEPHSCANDLERS COMMUNITY BENEFIT REPORT THE GOVERNING BODIES OF ALL OF OUR ORGANIZATIONS ARE PRIMARILY COMPRISED OF PERSONS WHO ARE NOT EMPLOYEES CONTRACTORS NOR FAMILY MEMBERS THEREOFAND WHO RESIDE IN ST JOSEPHSCANDLERS PRIMARY SERVICE AREA THE HOSPITALS MEDICAL STAFFS ARE OPEN TO ALL QUALIFIED PHYSICIANS IN THE REGION FOR THOSE PHYSICIANS IN THE REGION WHO DO NOT HAVE PRIVILEGES ST JOSEPHSCANDLER PROVIDES A PROCESS FOR ADMITTING PATIENTS VIA THE HOSPITALISTS OR THROUGH OTHER PHYSICIANS FUNDS RECEIVED FROM THE OPERATIONS OF ST JOSEPHSCANDLERS HOSPITALS AND FACILITIES AFTER OPERATING EXPENSES ARE USED TO SUPPORT VARIOUS OUTREACH EFFORTS DESCRIBED IN SCHEDULE H AND THE COMMUNITY BENEFIT REPORT TO FURTHER IMPROVEMENT IN PATIENT CARE BY PROVIDING MEDICAL EDUCATION TO PATIENTS AND THE COMMUNITY CONDUCTING RESEARCH AND IMPLEMENTING TECHNOLOGY THAT NOT ONLY PROVIDES THE LATEST IN TREATMENT BUT ALLOWS PATIENTS TO RECEIVE HIGH QUALITY CARE IN THEIR OWN COMMUNITY AND ALLOWS US TO CONTINUALLY IMPROVE PATIENT SAFETY BY IMPLEMENTING TECHNOLOGY THAT PREVENTS MEDICATION ERRORS ETC IN ORDER TO SPECIFICALLY ASSIST LOWINCOME ELDERLY AND DISABLED CITIZENS TO REMAIN IN THEIR OWN HOMES AND AVOID INSTITUTIONAL NURSING HOME CARE THESE NEEDS HAVE BEEN MET BY THE GEORGIA INFIRMARY IN TWO WAYS 1 PROVIDING DIRECT SERVICE AND 2 ADVOCATING AT STATE AND NATIONAL LEVELS FOR PROGRAMS THAT WILL SERVE THE NEEDS OF THESE CITIZENS GEORGIA INFIRMARY PROVIDES SERVICES TO SUCH PERSONS THROUGH AN ADULT DAY CARE CENTER SINCE 1974 GEORGIA INFIRMARYS HOUSING MANAGEMENT SERVICES OPERATES SUBSIDIZED HOUSING FOR ELDERLY AND DISABLED PERSONS TO RECOGNIZE THAT COMMUNITYBASED HEALTH ONLY WORKS IF BENEFICIARIES HAVE SAFE AFFORDABLE HOMES GEORGIA INFIRMARYS NATIONALLY RECOGNIZED SOURCE PROGRAM FOR CASE MANAGEMENT AND PRIMARY CARE PHYSICIAN SERVICES FOR ELDERLY AND DISABLED PERSONS WAS A RESPONSE TO NEEDS DISCOVERED IN HOUSING AND DAY SERVICES CLIENTS FOR COORDINATED MEDICAL CARE AND ACCOUNTABLE PERSONAL SUPPORT SERVICES IT IS A COLLABORATIVE EFFORT OF APPROXIMATELY 80 PHYSICIANS ACROSS 16 SOUTHEAST GEORGIA COUNTIES

Identifier	ReturnReference	Explanation
LIST OF STATES WHERE COMMUNITY BENEFIT REPORT IS FILED	PART VI	GEORGIA

Identifier	ReturnReference	Explanation
CANDLER HOSPITAL INC LINE NUMBER 1 PART V LINE 13G	PART V LINE 13G	THE HOSPITAL ALSO PUBLICIZES FINANCIAL ASSISTANCE WITH A SIGN IN THE EMERGENCY DEPARTMENT REGISTRATION AREAS THE SIGN DIRECTS THE PATIENT TO CONTACT A FINANCIAL COUNSELOR WHO WILL MEET WITH THE PATIENT ONEONONE TO OUTLINE THE FINANCIAL ASSISTANCE POLICY PROVIDE THE APPLICATION EXPLAIN WHAT DOCUMENTS ARE NEEDED TO COMPLETE THE ONE PAGE FRONTBACK APPLICATION AND ANSWER ANY QUESTIONS THE PATIENT MAY HAVE

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 CANDLER HOSPITAL INC	Employer identification number 58-0593388
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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		
	<input type="checkbox"/> First-class or charter travel		
	<input type="checkbox"/> Travel for companions		
	<input type="checkbox"/> Tax idemnification and gross-up payments		
	<input type="checkbox"/> Discretionary spending account		
	<input type="checkbox"/> Housing allowance or residence for personal use		
	<input type="checkbox"/> Payments for business use of personal residence		
	<input checked="" type="checkbox"/> Health or social club dues or initiation fees		
	<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	Yes
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	<input checked="" type="checkbox"/> Compensation committee		
	<input checked="" type="checkbox"/> Independent compensation consultant		
	<input type="checkbox"/> Form 990 of other organizations		
	<input checked="" type="checkbox"/> Written employment contract		
	<input checked="" type="checkbox"/> Compensation survey or study		
	<input checked="" type="checkbox"/> Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?	4a	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization?	6b	No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	Yes
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) PAUL P HINCHEY	(i)	305,474	76,915	6,311		19,646	408,346	
	(ii)	305,474	76,916	6,311	306,250	19,647	714,598	
(2) GREGORY J SCHAACK	(i)	175,513	34,942	19,199	8,250	14,115	252,019	
	(ii)	175,514	34,942	19,199	8,250	14,116	252,021	
(3) SHERRY A DANELLO	(i)	125,964	21,830	17,745	8,250	22,108	195,897	
	(ii)	125,965	21,829	17,746	8,250	22,108	195,898	
(4) JAMES I SCOTT MD	(i)	120,525	17,613		8,250	12,944	159,332	
	(ii)	120,525	17,614		8,250	12,944	159,333	
(5) PETER M SCHENK	(i)	103,782	16,866	14,970	8,250	20,699	164,567	
	(ii)	103,783	16,866	14,970	8,250	20,700	164,569	
(6) GEORGE H EVANS	(i)	115,150	20,413		5,857	11,000	152,420	
	(ii)	115,151	20,413		5,858	11,001	152,423	
(7) WILLIAM M CARR	(i)	102,844	16,547		6,352	9,228	134,971	
	(ii)	102,845	16,546		6,353	9,229	134,973	
(8) VIVIAN M AUSTIN	(i)	69,958	24,946		8,250	7,786	110,940	
	(ii)	69,959	24,945		8,250	7,786	110,940	
(9) JOHN PABLO	(i)	726,379				21,660	748,039	
	(ii)							
(10) HOWARD A ZAREN	(i)	526,477		37,947		23,042	587,466	
	(ii)							
(11) MARK S QUINN	(i)	507,514		10,554		9,921	527,989	
	(ii)							
(12) LORRAINE A GORDON	(i)	451,031	50,000			12,708	513,739	
	(ii)							
(13) KEVIN D KELLY	(i)	271,108				19,567	290,675	
	(ii)							

Part III

Supplemental Information

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

Identifier	Return Reference	Explanation
FRINGE OR EXPENSE EXPLANATION	SCHEDULE J, PAGE 1, PART I, LINE 1A	CEO RECEIVES THE BENEFIT AND THE AMOUNT IS INCLUDED IN THE CEO'S TAXABLE INCOME
SEVERANCE, NONQUALIFIED, AND EQUITY-BASED PAYMENTS	SCHEDULE J, PAGE 1, PART I, LINE 4	PAUL P. HINCHEY 0 306,250 0 GREGORY J. SCHAACK 0 16,500 0 SHERRY A. DANIELLO 0 16,500 0 JAMES I. SCOTT, M.D. 0 16,500 0 PETER M. SCHENK 0 16,500 0 GEORGE H. EVANS 0 11,715 0 WILLIAM M. CARR 0 12,705 0 VIVIAN M. AUSTIN 0 16,500 0
NON-FIXED PAYMENTS PROVIDED	SCHEDULE J, PAGE 1, PART I, LINE 7	THE CEO RECOMMENDED DISCRETIONARY BONUSES FOR CERTAIN KEY EMPLOYEES BASED ON A PERCENTAGE OF THEIR BASE COMPENSATION AND RECEIVED APPROVAL FROM THE COMPENSATION COMMITTEE OF THE BOARD OF TRUSTEES
OTHER ADDITIONAL INFORMATION	SCHEDULE J, PART III	PART I, LINE 4(B) - SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP) THE SYSTEM MAINTAINS AN UNFUNDED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP), WHICH PROVIDES RETIREMENT BENEFITS TO CERTAIN OFFICERS AND SELECT EMPLOYEES. THIS PLAN IS NON-QUALIFIED AND DOES NOT HAVE A MINIMUM FUNDING REQUIREMENT. THE LIABILITY FOR THIS SERP OBLIGATION IS INCLUDED AS DEFERRED COMPENSATION PAYABLE AND THE ASSETS SET ASIDE AS A RESERVE FOR THIS LIABILITY ARE INCLUDED IN BOARD DESIGNATED ASSETS LIMITED AS TO USE.

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2011
		Open to Public Inspection

Department of the Treasury Internal Revenue Service	Name of the organization CANDLER HOSPITAL INC	Employer identification number 58-0593388
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Part I

Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	HOSPITAL AUTHORITY OF SAVANNAH REVENUE BONDS 2010	58-1792535	NONENONEN	12-01-2010	18,252,500	REFUND PRIOR ISSUE		X		X		X
B	HOSPITAL AUTHORITY OF SAVANNAH REGIONS REVENUE BOND - 2011-1	58-1792535	NONENONEN	12-01-2011	20,701,936	REFUND PRIOR ISSUE		X		X		X
C	HOSPITAL AUTHORITY OF SAVANNAH TD BANK REVENUE BOND - 2011-2	58-1792535	NONENONEN	12-01-2011	10,513,600	REFUND PRIOR ISSUE		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	4,479,858							
2	Amount of bonds defeased								
3	Total proceeds of issue	18,252,500		20,701,936		10,513,600			
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds								
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds	18,252,500		20,701,936		10,513,600			
12	Other unspent proceeds								
13	Year of substantial completion	2010		2011		2011			
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X		X		X			
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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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 CANDLER HOSPITAL INC	Employer identification number 58-0593388
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Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990 - ORGANIZATION'S MISSION	ROOTED IN GOD'S LOVE, WE TREAT ILLNESS AND PROMOTE WELLNESS FOR ALL PEOPLE CANDLER HOSPITAL, INC PROVIDES COMPREHENSIVE HEALTHCARE SERVICES TO THE SURROUNDING COUNTIES THROUGH THE OPERATION OF A 331-BED ACUTE CARE HOSPITAL IN SAVANNAH, GA

Identifier	Return Reference	Explanation
EXPLANATION ON VOLUNTEERS AND TYPES OF SERVICES OR BENEFITS	FORM 990, PAGE 1, PART I, LINE 6	ACTIVE VOLUNTEERS 114 VOLUNTEERS SIGN IN EACH TIME THEY VOLUNTEER AND THESE HOURS ARE TOTALED SERVICES PROVIDED BY VOLUNTEERS -INFORMATION DESKS GREET & PROVIDE INFORMATION TO VISITORS AND GIVE PATIENT ROOM INFORMATION -COURTESY CAR PROVIDE RIDES TO AND FROM HOSPITAL BUILDINGS TO VISITOR'S CARS -PATIENT FAMILY ROOMS CONTACT PERSONS IN WAITING ROOMS -DELIVER PATIENT MAIL AND FLOWERS -OPERATE GIFT SHOPS - PATIENT VISITATION PATIENTS ARE VISITED AND GIVEN A WELCOME PACKET WITH PAPER, PENCIL AND INFORMATION SHEET COVERING HOSPITAL SERVICES -SECURITY MONITOR HOSPITAL CAMERAS AND TAKE CALLS FOR SECURITY (RELAYS TO HOSPITAL STAFF) -PATIENT FLOORS ASSIST STAFF WITH NON CLINICAL CHORES -OFFICE VOLUNTEER ASSIST VOLUNTEER OFFICE STAFF AS NEEDED

Identifier	Return Reference	Explanation
ANY SIGNIFICANT NEW PROGRAM SERVICES NOT LISTED ON A PRIOR RETURN	FORM 990, PAGE 2, PART III, LINE 2	EFFECTIVE JULY 1, 2011, THE OPERATIONS OF THE CANCER CARE PAVILION, INCLUDING SJC ONCOLOGY SERVICES - GEORGIA, LLC AND SJC ONCOLOGY SERVICES - SOUTH CAROLINA, LLC, WERE TRANSFERRED TO CANDLER HOSPITAL AS HOSPITAL-BASED SERVICES. THESE SERVICES ACCOUNTED FOR AN INCREASE OF IN NET INCOME OF APPROXIMATELY 25 MILLION.

Identifier	Return Reference	Explanation
FIRST ACCOMPLISHMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4A	ALL ITS ACTIVITIES AND CONTRACTS DURING THE FISCAL YEAR ENDED JUNE 30, 2012, THE HOSPITAL SERVED PATIENTS FOR A TOTAL OF 68,632 PATIENT DAYS AND 15,004 DISCHARGES EMERGENCY ROOM VISITS TOTALED 50,643 THE HOSPITAL ALSO PROVIDED SERVICES FOR 334,032 OUTPATIENT VISITS

Identifier	Return Reference	Explanation
ELECTION OF MEMBERS AND THEIR RIGHTS	FORM 990, PAGE 6, PART VI, LINE 7A	THE SOUTH CENTRAL LEADERSHIP TEAM OF THE SISTERS OF MERCY OF THE AMERICAS, INC (SMA) IS THE ORIGINAL SPONSOR OF CANDLER HOSPITAL AND IS THE SOLE MEMBER OF ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC (SYSTEM) BOTH CANDLER HOSPITAL AND SYSTEM HAVE A BROTHER/SISTER RELATIONSHIP TO THE FILING ORGANIZATION THE SMA HAS CERTAIN LIMITED RIGHTS SUCH AS APPOINTMENT OF THREE TRUSTEES TO THE SYSTEM BOARD

Identifier	Return Reference	Explanation
DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PAGE 6, PART VI, LINE 7B	<p>SISTERS OF MERCY OF THE AMERICAS, INC (SMA) IS THE ORIGINAL SPONSOR OF CANDLER HOSPITAL AND IS THE SOLE MEMBER OF ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC (SYSTEM) BOTH CANDLER HOSPITAL AND SYSTEM HAVE A BROTHER/SISTER RELATIONSHIP TO THE FILING ORGANIZATION THE SMA HAS CERTAIN LIMITED RIGHTS SUCH AS APPOINTMENT OF THREE TRUSTEES TO THE SYSTEM BOARD THE SMA ALSO HAS SPECIFIC RESERVED POWERS WHICH REQUIRE THAT CERTAIN ACTIONS TAKEN BY THE SYSTEM BOARD OF TRUSTEES, OR BOARD OF DIRECTORS OF ANY OTHER SYSTEM ENTITY, ARE EFFECTIVE ONLY IF FIRST APPROVED BY SMA THESE ACTIONS INCLUDE 1 ADOPTION, AMENDMENT OR CHANGE OF THE PHILOSOPHY, PURPOSE, MISSION, VALUES STATEMENT OR NAME OF SYSTEM OR CANDLER HOSPITAL (CH) 2 AMENDMENT OR RESTATEMENT OF THE ARTICLES OF INCORPORATION OR ANY OF THE GOVERNANCE DOCUMENTS OF ANY SYSTEM ENTITIES THAT DIMINISHES OR ALTERS ANY SMA RESERVED POWER 3 AMENDMENT OR RESTATEMENT OF THE ARTICLES OF INCORPORATION OR BYLAWS OF CH 4 APPOINTMENT OF THE SYSTEM CEO, BEGINNING WITH THE FIRST SUCCESSOR TO THE INITIAL SYSTEM CEO 5 DISSOLUTION, MERGER, CONSOLIDATION OR SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF SYSTEM OR CH 6 SALE OR OTHER DISPOSITION OF REAL PROPERTY OF CH IF THE FMV OF THE PROPERTY AT THAT TIME EXCEEDS THE THRESHOLD ESTABLISHED BY ROMAN CATHOLIC CHURCH LAW FOR PROPERTY TRANSACTIONS 7 INCURRENCE OF ANY DEBT (INCLUDING LEASES OF REAL PROPERTY) BY CH IN AN AMOUNT IN EXCESS OF THE THEN EXISTING THRESHOLD REQUIRING APPROVAL BY THE APPLICABLE AGENCY OF THE ROMAN CATHOLIC CHURCH 8 ADDITION OF ANY NEW SERVICE AT ANY SYSTEM ENTITY OR DELETION OF ANY EXISTING SERVICE AT ANY SYSTEM ENTITY IF SUCH ADDITION OR DELETION WOULD BE INCONSISTENT WITH THE ETHICAL AND RELIGIOUS DIRECTIVES FOR CATHOLIC HEALTH CARE SERVICES AS APPROVED BY THE NATIONAL CONFERENCE OF CATHOLIC BISHOPS 9 TAKING ANY ACTION THAT RESULTS IN CANDLER HOSPITAL FAILING TO CONTINUE TO OPERATE AS AN ACUTE CARE HOSPITAL</p>

Identifier	Return Reference	Explanation
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	A COPY OF THE FORM 990 IS PROVIDED TO THE FINANCE COMMITTEE OF THE BOARD OF TRUSTEES AND MADE AVAILABLE TO THE FULL BOARD FOR REVIEW PRIOR TO FILING THE ORGANIZATION'S MANAGEMENT TEAM PERFORMS A COMPLETE DETAILED REVIEW OF ALL FINANCIAL AND DISCLOSURE DATA PRIOR TO FILING THE RETURN WITH THE IRS

Identifier	Return Reference	Explanation
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	AT LEAST ANNUALLY , AND AS DEEMED NECESSARY , THE CONFLICT OF INTEREST POLICY IS REVIEWED TO DETERMINE IF ANY CHANGES OR ENHANCEMENTS ARE NEEDED THE ANNUAL DISCLOSURES ARE PROVIDED TO THE PRESIDENT'S ASSISTANT AND ARE REVIEWED BY THE ORGANIZATION'S CORPORATE COMPLIANCE OFFICER IF ANY CONFLICTING INTEREST IS IDENTIFIED, THE BOARD CHAIRMAN WILL DISCUSS WITH THE BOARD TO DETERMINE FURTHER ACTIONS NEEDED THE BOARD CHAIRMAN MAY ASK THE INTERESTED PERSON TO LEAVE THE MEETING DURING DISCUSSION OF THE MATTER THAT GIVES RISE TO THE POTENTIAL CONFLICT IF ASKED, THE INTERESTED PERSON SHALL LEAVE THE MEETING, BUT MAY MAKE A STATEMENT OR ANSWER ANY QUESTIONS ON THE MATTER BEFORE LEAVING THE INTERESTED PERSON WILL NOT VOTE ON THE MATTER THAT GIVES RISE TO THE POTENTIAL CONFLICT AND THE BOARD OR BOARD COMMITTEE MUST APPROVE THE TRANSACTION OR ARRANGEMENT BY MAJORITY VOTE OF THE BOARD MEMBERS PRESENT AT A MEETING THAT HAS A QUORUM, NOT INCLUDING THE VOTE OF THE INTERESTED PERSON

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	AN INDEPENDENT COMPANY ANNUALLY EVALUATES THE COMPENSATION OF THE CEO USING COMPARABILITY DATA OBTAINED THROUGH COMPENSATION SURVEY S/STUDIES THEIR RECOMMENDATIONS ARE CONSIDERED BY A COMPENSATION COMMITTEE COMPRISED OF INDEPENDENT VOTING MEMBERS OF THE BOARD AND THE FINAL COMPENSATION PACKAGE REQUIRES FULL APPROVAL BY THE BOARD THE ACTIONS, MOTIONS, CONSIDERATIONS, MEMBERS PRESENT AND DISSENTING OPINIONS ARE RECORDED IN THE BOARD MINUTES

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR OFFICERS	FORM 990, PAGE 6, PART VI, LINE 15B	AN INDEPENDENT COMPANY ANNUALLY EVALUATES THE COMPENSATION OF THE CFO AND OTHER OFFICERS USING COMPARABILITY DATA OBTAINED THROUGH COMPENSATION SURVEY S/STUDIES THEIR RECOMMENDATIONS ARE CONSIDERED BY A COMPENSATION COMMITTEE COMPRISED OF INDEPENDENT VOTING MEMBERS OF THE BOARD AND THE FINAL COMPENSATION PACKAGE REQUIRES FULL APPROVAL BY THE BOARD THE ACTIONS, MOTIONS, CONSIDERATIONS, MEMBERS PRESENT AND DISSENTING OPINIONS ARE RECORDED IN THE BOARD MINUTES

Identifier	Return Reference	Explanation
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	CERTAIN ORGANIZATIONAL POLICIES, INCLUDING THE CONFLICT OF INTEREST POLICY, ARE LOCATED ON THE ST JOSEPH'S/CANDLER WEBSITE. COMBINED FINANCIAL STATEMENTS ARE AVAILABLE THROUGH THE ANNUAL BOND DISCLOSURE REPORT POSTED TO A PUBLIC WEBSITE. GOVERNING DOCUMENTS ARE CURRENTLY NOT PUBLICLY AVAILABLE.

Identifier	Return Reference	Explanation
RELATED ORGANIZATIONS	FORM 990, PAGE 7, PART VII	AVERAGE WEEKLY HOURS DEVOTED TO RELATED ORGANIZATIONS BY INDIVIDUALS LISTED ON PART VII, SECTION A PAUL P HINCHEY - 25 HOURS ROBERT H DEMERE, JR - 5 HOURS WILLIAM E JOHNSTON - 5 HOURS SR HELEN AMOS, RSM - 4 HOURS JAMES BASS - 4 HOURS FRANK BROWN - 4 HOURS DAVID V CAPALLO, M D - 4 HOURS ROBERT E JAMES - 4 HOURS EMILY KEHOE - 4 HOURS WALTER N LEWIS - 4 HOURS SALLY LUFBURROW - 4 HOURS J CLIFF MCCURRY - 5 HOURS SR MARY KAREN MCNALLY, RSM - 4 HOURS JAMES ALLEN MEADOWS, III, M D - 4 HOURS HENRY MINIS - 5 HOURS O GEORGE NEGREA, M D - 4 HOURS JOHN W ODOM, M D - 4 HOURS REGINALD ROBINSON, M D - 4 HOURS SR MARY JUDE WALSH, RSM - 4 HOURS GREGORY J SCHAAK - 25 HOURS KYLE MCCANN - 22 HOURS SHERRY A DANELLO - 21 HOURS JAMES I SCOTT, M D - 21 HOURS VIVIAN AUSTIN - 21 HOURS WILLIAM M CARR - 21 HOURS PETER M SCHENK - 22 HOURS GEORGE EVANS - 21 HOURS CONSOLIDATED MANAGEMENT AND GENERAL SERVICES THE FILING ORGANIZATION IS A MEMBER OF A COMPREHENSIVE INTEGRATED HEALTHCARE NETWORK, I E, ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC ("SYSTEM") ESSENTIAL MANAGEMENT AND GENERAL SERVICES ARE PROVIDED BY THE SYSTEM TO THE RELATED ORGANIZATIONS THE COSTS OF SUCH SERVICES REMAIN ON THE BOOKS OF SYSTEM

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS EXPLANATION	FORM 990, PART XI, LINE 5	TRANSFER OF EQUITY 9,084,346 INTEREST IN FOUNDATION 191,153 PRIOR PERIOD PENSION ADJUSTMENT 83,258 CHANGE IN DERIVATIVE VALUATION 97,407 TOTAL INCREASE 9,456,164 UNREALIZED CHANGE IN RATE SWAP VALUATION (3,104,724) NET INCREASE IN NET ASSETS 6,351,440

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
CANDLER HOSPITAL INC

Employer identification number
58-0593388

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
(1) ST JOSEPH'SCANDLER HEALTH SYSTEM 5353 REYNOLDS STREET SAVANNAH, GA 31405 58-2288758	MGMNT	GA	501C 3	11A	NA		No
(2) ST JOSEPH'S HOSPITAL INC 11705 MERCY BLVD SAVANNAH, GA 31419 58-0568702	ACUTE CARE	GA	501C 3	3	SYSTEM ST JOSEPH'S/CANDLER HEALTH SYSTEM		No
(3) SJC HOME HEALTH SERVICES INC 5353 REYNOLDS STREET SAVANNAH, GA 31405 58-1329042	HOME HLTH	GA	501C 3	9	SYSTEM ST JOSEPH'S/CANDLER HEALTH SYSTEM		No
(4) GEORGIA INFIRMARY INC 1900 ABERCORN STREET SAVANNAH, GA 31401 58-0668614	CLINIC	GA	501C 3	9	NA		No
(5) CANCER CARE PAVILION INC 5353 REYNOLDS STREET SAVANNAH, GA 31405 11-3705418	ONCOLOGY	GA	501C 3	11A	SYSTEM ST JOSEPH'S/CANDLER HEALTH SYSTEM	Yes	
(6) CANDLER FOUNDATION INC 5353 REYNOLDS STREET SAVANNAH, GA 31405 58-1553254	FOUNDATION	GA	501C 3	11	CH CANDLER HOSPITAL	Yes	

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) SICOIS OUTPATIENT IMAGING LLC 1 JOHNSTON ST 12 SAVANNAH, GA 31405 27-2197169	IMAGING	GA	CH CANDLER HOSPITAL	EXCLUDED	-46,445	351,771		No		Yes		25 000 %
(2) SICOIS METROPOLITAN IMAGING LLC 1 JOHNSTON ST 12 SAVANNAH, GA 31405 27-2197169	IMAGING	GA	NA	EXCLUDED	66,132	270,903		No			No	25 000 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) SJC MEDICAL GROUP INC 5353 REYNOLDS STREET SAVANNAH, GA 31405	PHYSICIANS	GA	N/A				
(2) SJC VENTURES INC 5353 REYNOLDS STREET SAVANNAH, GA 31405	HEALTHCARE	GA	N/A				
(3) SJC PROPERTIES INC 5353 REYNOLDS STREET SAVANNAH, GA 31405	PROPERTY	GA	N/A				
(4) SJC HEALTH SERVICES INC 5353 REYNOLDS STREET SAVANNAH, GA 31405	HEALTHCARE	GA	N/A				

Note. Complete line 1 if any entity is listed in Parts II, III or IV		Yes	No
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	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i		No
j Lease of facilities, equipment, or other assets from related organization(s)	1j	Yes	
k Performance of services or membership or fundraising solicitations for related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l	Yes	
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m	Yes	
n Sharing of paid employees with related organization(s)	1n	Yes	
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p		No
q Other transfer of cash or property to related organization(s)	1q	Yes	
r Other transfer of cash or property from related organization(s)	1r	Yes	

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) CANDLER FOUNDATION INC	C	398,163	CASH
(2) CANDLER FOUNDATION INCSJC OIS OP IMAGING LLC	M		AMOUNT UNDETERMINED
(3) CANDLER FOUNDATION INCSJC OIS OP IMAGING LLC	N		AMOUNT UNDETERMINED
(4) CANDLER FOUNDATION INC	L	269,455	GENERAL LEDGER EXPENSE
(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
ADDITIONAL INFORMATION	SCHEDULE R	CANCER CARE PAVILION DISSOLUTION EFFECTIVE JULY 1 2011 THE OPERATIONS OF THE CANCER CARE PAVILION INCLUDING SJC ONCOLOGY SERVICES GEORGIA LLC AND SJC ONCOLOGY SERVICES SOUTH CAROLINA LLC WERE TRANSFERRED TO CANDLER HOSPITAL AS HOSPITALBASED SERVICES THE PAVILION ORGANIZATION INCLUDING ITS TWO DISREGARDED ENTITIES WAS OFFICIALLY DISSOLVED JUNE 30 2012

Software ID:
Software Version:
EIN: 58-0593388
Name: CANDLER 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	
ST JOSEPH'S CANDLER HEALTH SYSTEM 5353 REYNOLDS STREET SAVANNAH, GA 31405 58-2288758	MGMNT	GA	501C 3	11A	NA		No
ST JOSEPH'S HOSPITAL INC 11705 MERCY BLVD SAVANNAH, GA 31419 58-0568702	ACUTE CARE	GA	501C 3	3	SYSTEM ST JOSEPH'S/CANDLER HEALTH SYSTEM		No
SJC HOME HEALTH SERVICES INC 5353 REYNOLDS STREET SAVANNAH, GA 31405 58-1329042	HOME HLTH	GA	501C 3	9	SYSTEM ST JOSEPH'S/CANDLER HEALTH SYSTEM		No
GEORGIA INFIRMARY INC 1900 ABERCORN STREET SAVANNAH, GA 31401 58-0668614	CLINIC	GA	501C 3	9	NA		No
CANCER CARE PAVILION INC 5353 REYNOLDS STREET SAVANNAH, GA 31405 11-3705418	ONCOLOGY	GA	501C 3	11A	SYSTEM ST JOSEPH'S/CANDLER HEALTH SYSTEM	Yes	
CANDLER FOUNDATION INC 5353 REYNOLDS STREET SAVANNAH, GA 31405 58-1553254	FOUNDATION	GA	501C 3	11	CH CANDLER HOSPITAL	Yes	

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINED FINANCIAL STATEMENTS

for the years ended June 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
St. Joseph's/Candler Health System, Inc
Savannah, Georgia

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of St. Joseph's/Candler Health System, Inc. as of June 30, 2012 and 2011, and the results of its operations and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Draffin & Tucker, LLP

Albany, Georgia
October 18, 2012

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED BALANCE SHEETS
as of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 32,836,685	\$ 21,465,979
Assets limited as to use required for current liabilities	4,044,936	5,097,088
Patient accounts receivable, less allowance for doubtful accounts of \$14,000,000 and \$18,000,000 for 2012 and 2011, respectively	58,089,551	49,036,289
Other receivables	5,907,791	4,819,982
Inventories	9,327,170	9,005,846
Prepaid expenses	3,995,340	2,617,708
Estimated third-party payor settlements	<u>-</u>	<u>1,501,646</u>
Total current assets	<u>114,201,473</u>	<u>93,544,538</u>
Assets limited as to use:		
Held in trust under bond indenture	3,633,725	3,477,687
Restricted under interest rate swap agreement and deferred compensation agreement	4,883,720	4,348,482
Board designated	<u>124,243,016</u>	<u>123,612,060</u>
Total assets limited as to use	<u>132,760,461</u>	<u>131,438,229</u>
Property and equipment, net	<u>146,470,109</u>	<u>150,144,038</u>
Derivative financial instruments	<u>-</u>	<u>2,992,076</u>
Other assets		
Long-term investments	2,291,997	1,672,411
Goodwill	48,484,352	47,944,645
Beneficial interest in net assets of Foundations	6,783,170	6,655,087
Deferred financing costs, net	<u>3,085,160</u>	<u>3,167,550</u>
Total other assets	<u>60,644,679</u>	<u>59,439,693</u>
Total assets	<u>\$ 454,076,722</u>	<u>\$ 437,558,574</u>

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of long-term debt	\$ 10,353,768	\$ 12,972,755
Accounts payable	20,082,502	12,282,869
Accrued employee related expenses	26,527,368	22,099,266
Other accrued expenses	6,548,094	9,743,400
Estimated third-party payor settlements	<u>3,258,860</u>	<u>-</u>
Total current liabilities	66,770,592	57,098,290
Long-term debt, excluding current maturities	154,840,006	164,097,194
Accrued self-insurance claims	20,654,042	19,148,709
Accrued pension cost	31,536,512	25,855,648
Deferred compensation payable	6,745,840	6,484,584
Derivative financial instruments	1,452,406	-
Collateral held under interest rate swap agreement	<u>-</u>	<u>1,740,000</u>
Total liabilities	<u>281,999,398</u>	<u>274,424,425</u>
Net assets		
Unrestricted net assets	166,047,456	157,492,818
Temporarily restricted net assets	4,969,868	4,581,331
Permanently restricted net assets	<u>1,060,000</u>	<u>1,060,000</u>
Total net assets	<u>172,077,324</u>	<u>163,134,149</u>
 Total liabilities and net assets	 \$ <u>454,076,722</u>	 \$ <u>437,558,574</u>

The accompanying notes are an integral part of these financial statements

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS

for the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 455,820,755	\$ 440,743,944
Provision for bad debts	(56,565,175)	(48,552,870)
Net patient service revenue	399,255,580	392,191,074
Other revenue	<u>29,490,769</u>	<u>22,147,745</u>
Total unrestricted revenues, gains and other support	428,746,349	414,338,819
Expenses		
Salaries and wages	163,218,497	157,969,010
Employee benefits	36,842,615	36,430,925
Physician and professional fees	20,408,627	18,556,922
Materials and supplies	106,389,280	104,869,847
Purchased services	23,328,699	24,425,677
Insurance	5,615,807	3,053,470
Interest	5,916,402	8,888,518
Depreciation and amortization	21,320,358	21,719,203
Other	26,732,216	26,904,828
Total expenses	409,772,501	402,818,400
Income from operations	<u>18,973,848</u>	<u>11,520,419</u>
Other income		
Investment income (loss)	4,874,745	(2,567,607)
Change in fair value of derivative instruments	(4,444,482)	1,737,841
Other income (loss), net	<u>430,263</u>	<u>(829,766)</u>
Revenues and gains in excess of expenses and losses	19,404,111	10,690,653

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS Continued
for the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted net assets		
Decrease in beneficial interest in unrestricted net assets of Foundations, net	\$(260,454)	\$(311,584)
Contributions for property	271,003	1,542,656
Changes in net unrealized gains and losses on investments other than trading securities	(3,204,443)	7,090,626
Change in actuarial loss on defined benefit pension plan	(8,829,929)	2,313,359
Amortization of actuarial loss on defined benefit pension plan	2,004,462	2,198,366
Amortization of prior service cost on defined benefit pension plan	(830,112)	(830,112)
Initial implementation of FASB ASC 350 - goodwill impairment	<u>-</u>	(<u>11,658,145</u>)
Increase in unrestricted net assets	<u>8,554,638</u>	<u>11,035,819</u>
Temporarily restricted net assets:		
Increase (decrease) in beneficial interest in temporarily restricted net assets of Foundations, net	<u>388,537</u>	(<u>143,093</u>)
Increase in net assets	8,943,175	10,892,726
Net assets, beginning of year	<u>163,134,149</u>	<u>152,241,423</u>
Net assets, end of year	\$ <u>172,077,324</u>	\$ <u>163,134,149</u>

The accompanying notes are an integral part of these financial statements.

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase in net assets	\$ 8,943,175	\$ 10,892,726
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in fair value of derivative instruments	4,444,482	(1,737,841)
Beneficial interest in net assets of Foundations, net	(128,083)	454,677
Net realized and unrealized gains on investments other than trading securities	1,236,962	(1,990,607)
Initial implementation of FASB ASC 350 - goodwill impairment	-	11,658,145
Depreciation and amortization	21,320,358	21,719,203
Contributions for property	(271,003)	(1,542,656)
Changes in		
Patient accounts receivable	(9,053,262)	(1,146,468)
Other receivables	(1,087,809)	(1,588,234)
Inventories	(321,324)	(1,175,965)
Prepaid expenses	(1,377,632)	1,107,922
Accounts payable	7,799,633	(999,304)
Accrued liabilities	1,232,796	193,901
Estimated third-party payor settlements	4,760,506	(1,075,242)
Accrued self-insurance claims	1,505,333	183,602
Accrued pension costs	5,680,864	(4,312,389)
Deferred compensation payable	<u>261,256</u>	<u>932,853</u>
Net cash provided by operating activities	<u>44,946,252</u>	<u>31,574,323</u>
Cash flows from investing activities		
Purchases of property and equipment	(17,564,039)	(15,767,099)
Proceeds from sale of assets limited as to use	164,005,383	112,348,655
Purchases of assets limited as to use	(165,512,425)	(102,287,416)
Proceeds from pledged collateral for swaps	-	1,740,000
Payments on interest rate swap	(1,740,000)	(10,022,830)
Sales (purchases) of long-term investments, net	<u>(1,159,293)</u>	<u>125,504</u>
Net cash used by investing activities	<u>(21,970,374)</u>	<u>(13,863,186)</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINED STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from financing activities		
Repayment of long-term debt	\$(106,881,175)	\$(44,082,754)
Proceeds from issuance of long-term debt	95,005,000	27,640,000
Contributions for property	<u>271,003</u>	<u>1,542,656</u>
Net cash used by financing activities	(<u>11,605,172</u>)	(<u>14,900,098</u>)
Net increase in cash and cash equivalents	11,370,706	2,811,039
Cash and cash equivalents, beginning of year	<u>21,465,979</u>	<u>18,654,940</u>
Cash and cash equivalents, end of year	\$ <u>32,836,685</u>	\$ <u>21,465,979</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ <u>7,298,783</u>	\$ <u>9,845,189</u>

The accompanying notes are an integral part of these financial statements

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

Organization

Effective April 1, 1997, Candler Hospital, Inc (CH), Saint Joseph's Hospital, Inc (SJH), St Joseph's Health Center, Inc (SJHC) and Candler Health Systems, Inc. (CHS) entered into a Joint Operating Agreement (JOA). Under the JOA, a new not-for-profit membership corporation, St. Joseph's/Candler Health System, Inc. (System), was formed and CH, SJH, and their various respective affiliates were restructured such that the System became the parent organization of CH, SJH and the affiliates. On April 1, 2003, SJHC and CHS resigned as members, the board of trustees became self-perpetuating, except for the right of the South Central Leadership Team of the Sisters of Mercy of the Americas, Inc. (SMA) to appoint three trustees; and SMA became the sole member of the System.

The System is governed by its board of trustees (Board) with 19 members. The Board is self-perpetuating and elects its own members, except that three trustees, who shall be Sisters of SMA or another congregation of Roman Catholic religious women, are appointed by SMA, and three trustees serve as ex officio members, the System CEO (ex officio voting) and the Presidents of the Medical Staff of CH and SJH (ex officio nonvoting).

The System operates a comprehensive integrated healthcare network and serves as the controlling body of its affiliated entities as follows:

CH is a not-for-profit corporation, of which the System is the sole member, established to provide comprehensive health care services through the operation of a 331-bed acute care hospital in Savannah, Georgia.

SJH is a not-for-profit corporation, of which the System is the sole member, established to provide comprehensive health care services through the operation of a 305-bed acute care hospital in Savannah, Georgia.

SJC Home Health, Inc (Home Health) is a not-for-profit corporation, of which the System is the sole member, established to provide home health services in an eleven county area in southeast Georgia.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1 Summary of Significant Accounting Policies, Continued

Organization, Continued

Cancer Care Pavilion, Inc. (Pavilion) is a not-for-profit corporation, of which the System is the sole member, formed to provide health care services as a part of the System and conduct research and activities to promote medical advances to treat and find a cure for cancer and cancer related illnesses. The Pavilion operates SJC Oncology Services – Georgia, LLC in Savannah, Georgia and SJC Oncology Services – South Carolina, LLC in Hilton Head, South Carolina. Effective July 1, 2011, the operations of the Pavilion, including SJC Oncology Services – Georgia and SJC Oncology Services – South Carolina, were transferred to CH as hospital-based services. Effective June 30, 2012, the Pavilion organization was dissolved.

Georgia Infirmary, Inc. (Infirmary) is a not-for-profit corporation, of which the System is the sole corporate member. The System shall have, and may exercise with respect to the Infirmary, all rights and authorities granted by law to members of nonprofit corporations in Georgia or the bylaws of the Infirmary, except that the System does not have the authority to change the mission of the Infirmary as outlined in the Infirmary's original Articles of Incorporation. In the event of any merger or sale of substantially all of the assets of the System, all membership interest of the System in the Infirmary shall be deemed surrendered by the System and reverted to the Infirmary. The Infirmary is an adult day health provider and also provides a case management program to improve health outcomes for elderly or disabled Medicaid recipients with chronic medical conditions.

SJC Ventures, Inc. (SJCVC) is a for-profit corporation and wholly owned stock subsidiary of the System organized to be the sole shareholder of SJC Medical Group, Inc., SJC Properties, Inc. and SJC Health Services, Inc., thereby creating an affiliated group of corporations eligible to report on a consolidated basis for federal income tax purposes within the meaning of the Internal Revenue Code of 1986, as amended. In the accompanying combining information, the wholly owned subsidiaries of SJCVC are presented separately.

SJC Medical Group, Inc. (SJCMG) is a for-profit corporation which owns, operates, and manages physician practices, in addition to performing billing services, of which SJCVC is the sole shareholder.

SJC Properties, Inc. (Properties) is a for-profit corporation, wholly owned by SJCVC, which owns and develops certain real estate and manages several medical office buildings.

SJC Health Services, Inc. (Health Services) is a for-profit corporation, wholly owned by SJCVC, organized to further the health care delivery system of the System.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1 Summary of Significant Accounting Policies, Continued

Organization, Continued

Geechee Reinsurance Company, LLC (Geechee) commenced operations July 1, 2007 under the captive insurance company laws of the State of South Carolina to insure the general and professional liability risks of the System. Geechee was formed by way of continuation into the State of South Carolina from the Cayman Islands domiciled company, Geechee Reinsurance Company, SPC. Geechee Reinsurance Company, SPC was discontinued as an exempted company under the laws of the Cayman Islands effective July 1, 2007. Geechee is organized as a single member LLC with the System as its sole member.

The combined financial statements include the accounts of St. Joseph's/Candler Health System, Inc. and its affiliated entities. All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

These combined financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the System as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classifying net assets and transactions as permanently restricted, temporarily restricted and unrestricted as follows:

- Permanently restricted net assets are those whose use by the System has been restricted by donors to be maintained in perpetuity.
- Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose.
- Unrestricted net assets are resources generated from operations, unrestricted donations, and lapse of temporary restrictions and are not subject to donor-imposed stipulations.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1 Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments such as certificates of deposit, commercial paper and money market accounts purchased with a maturity of three months or less.

Allowance for Doubtful Accounts

Accounts receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the System utilizes a variety of information for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data from these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

The System analyzes the components of key patient account data including service date(s), charges, payments, adjustments, balance, financial class, patient type, service type, resource unit code and clinical codes. For receivables associated with services provided to patients who have third-party coverage, a variety of payment plans exist based on dates of service, charges, patient type, service type, resource value unit and outlier payment provisions. The System provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectibles, deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to currently have financial difficulties that make the realization of amounts due unlikely).

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1 Summary of Significant Accounting Policies, Continued

Allowance for Doubtful Accounts, Continued

For receivables associated with non-contract payors and self-pay patients (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 System records a significant provision for bad debts in the period of service on the basis of recent, relevant collection history by financial class and/or insurance plan. This will indicate 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. Effective August 1, 2011, the System implemented a discount for qualifying uninsured patients writing off 65% of established charges. To qualify, patients may either pay their bill in full or arrange an approved payment plan.

The System's allowance for doubtful accounts for self-pay patients decreased from 83.6% of self-pay accounts receivable at June 30, 2011 to 76.3% of self-pay accounts receivable at June 30, 2012. In addition, the System's self-pay write-offs increased \$8,012,305 from \$48,552,870 for fiscal year 2011 to \$56,565,175 for fiscal year 2012. These changes were primarily the result of implementing the uninsured discount which caused a reduced need for additional allowance reserves.

Inventories

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

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investments without a readily determinable fair value are evaluated for the applicability of the cost or equity method. Investments qualifying for the equity method are stated at quoted net asset value of shares held at year end. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess revenues unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess revenues unless the investments are trading securities.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

I Summary of Significant Accounting Policies, Continued

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, restricted assets under an interest rate swap agreement and a deferred compensation agreement, and designated assets set aside by the Board for future capital improvements, self-insurance and unfunded deferred compensation, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the System have been reclassified in the combined balance sheets at June 30, 2012 and 2011.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the combined financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support, and are excluded from excess revenues, 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 support. Absent explicit donor stipulations addressing 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.

Derivative Financial Instruments

The System accounts for its derivative financial instruments in accordance with FASB ASC 815 *Derivatives and Hedging*. FASB ASC 815 requires an entity to recognize all derivative instruments as either assets or liabilities in the combined balance sheets and to measure those instruments at fair value. FASB ASC 815 also requires that changes in the derivatives' fair values be recognized currently in the combined statement of operations and changes in net assets unless specific hedge accounting criteria are met. The System did not elect hedge accounting for its derivative instruments.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1 Summary of Significant Accounting Policies, Continued

Goodwill

Under FASB authoritative guidance, goodwill and intangible assets with indefinite lives are no longer amortized, but are tested for impairment annually and more frequently in the event of an impairment indicator. The accounting standard also requires that intangible assets with definite lives be amortized over their respective estimated useful lives, and reviewed whenever events or circumstances indicate impairment may exist.

The System early adopted FASB ASU No. 2011-08 which permits the System to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the System determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is required. If the two-step impairment test is determined to be necessary, and in step two the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference will be recorded.

As of June 30, 2012 and 2011, the System had goodwill of \$48,484,352 and \$47,944,645, respectively. In accordance with the accounting standard, the System has elected June 30th as its annual impairment assessment date. The System completed its annual impairment assessment and concluded that no goodwill or indefinite lived intangible asset impairment charge was required for 2012.

Beneficial Interest in Net Assets of Foundations

The System accounts for the activities of its related Foundations in accordance with FASB ASC 958-20, *Not-for-Profit Entities, Financially Interrelated Entities*. FASB ASC 958-20 establishes reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization which accepts the assets on behalf of or transfers these assets to a beneficiary which is specified by the donor. The St. Joseph's Foundation of Savannah, Inc. and Candler Foundation, Inc. accept assets on behalf of SJH and CH, respectively.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

I Summary of Significant Accounting Policies, Continued

Deferred Financing Costs

Costs related to the issuance of long-term debt were deferred and are being amortized using the straight-line method over the life of the related debt which approximates the effective interest method

Revenues and Gains in Excess of Expenses and Losses

The combined statement of operations and changes in net assets includes excess revenues. Changes in unrestricted net assets which are excluded from excess revenues, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets)

Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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

Charity Care

The System provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue

Estimated Self-Insurance Costs

The provision for estimated malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1 Summary of Significant Accounting Policies, Continued

Income Taxes

The System, CH, SJH, Home Health, Pavilion and Infirmary are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Only net income from activities designated as unrelated to the exempt purposes of CH, SJH, Home Health, Pavilion and Infirmary are subject to federal and state unrelated business income tax. Geechee is organized as a single member LLC owned by System and is treated as a disregarded entity for tax purposes.

The System applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the System only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, no liability is recognized in the accompanying combined balance sheets for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2012 and 2011 or for the years then ended. The System's open audit periods are for tax years ended 2009-2011.

SJCV, SJCMG, Properties and Health Services have generally incurred operating losses for tax purposes and have not recorded a current or deferred tax provision due to significant net operating loss (NOL) carryforwards which would be utilized to offset any potential tax liabilities generated from future taxable income. At June 30, 2012, NOL carryforwards expiring through 2032 amounted to approximately \$90,674,000 and are available for the offset of future taxable income.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Impairment of Long-Lived Assets

The System evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. Except for the loss associated with goodwill disclosed in Note 4, the System has not recorded any impairment charges in the accompanying combined statements of operations and changes in net assets for the years ended June 30, 2012 and 2011.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures*, defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1 Summary of Significant Accounting Policies, Continued

Recently Issued Accounting Pronouncements

In 2011, the System early adopted the provisions of FASB ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The ASU requires health care entities to change the presentation of the combined statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). All periods presented in these combined financial statements and notes to financial statements have been reclassified with the ASU.

In 2012, the System adopted the provisions of FASB Accounting Standards Update (ASU) No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. Under the ASU, anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities are to be presented separately on the combined balance sheets. The System's adoption of the ASU did not have a material effect on the combined financial statements.

Subsequent Event

In preparing these combined financial statements, the System has evaluated events and transactions for potential recognition or disclosure through October 18, 2012, the date the combined financial statements were issued.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Investments

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2012 and 2011 is set forth in the following table. Investments are stated at fair value and are considered other than trading.

	<u>2012</u>	<u>2011</u>
Held in trust under bond indenture		
Cash and cash equivalents	\$ 4,663,292	\$ 5,562,890
U S Government and Agency obligations	269,969	269,969
Municipal obligations	2,684,340	2,684,340
Interest receivable	<u>61,060</u>	<u>57,576</u>
Total	<u>7,678,661</u>	<u>8,574,775</u>
Interest rate swap agreement and deferred compensation agreement:		
Cash and cash equivalents	2,330,621	1,740,032
Mutual funds – equity	<u>2,553,099</u>	<u>2,608,450</u>
Total	<u>4,883,720</u>	<u>4,348,482</u>
Board designated:		
Cash and cash equivalents	2,329,888	1,518,993
U S Government and Agency obligations	9,926,075	15,445,192
Corporate bonds	11,855,210	12,691,029
Mutual funds – fixed income	27,714,457	21,481,084
Mutual funds – balanced	5,107,753	-
Mutual funds – equity	35,409,272	12,239,524
Mutual funds – international equity	13,757,309	5,968,657
Equity securities – common stock	13,963,195	22,871,846

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2 Investments, Continued

Assets Limited as to Use, Continued

	<u>2012</u>	<u>2011</u>
Board designated, continued:		
Equity securities – international	\$ 512,713	\$ 847,269
Alternative investments	3,378,311	30,214,350
Interest receivable	<u>288,833</u>	<u>334,116</u>
Total	<u>124,243,016</u>	<u>123,612,060</u>
Total assets limited as to use	136,805,397	136,535,317
Less amounts required for current liabilities	<u>4,044,936</u>	<u>5,097,088</u>
Total	\$ <u>132,760,461</u>	\$ <u>131,438,229</u>

Alternative investments (including amounts held under the Defined Benefit Pension Plan discussed in Note 11) include investments in various funds that invest in a variety of growth and value assets. Management of the funds has the ability to shift investments as they feel necessary to meet established goals. The fair values of the investments in this category have been estimated using the net asset value per share of the underlying investments. These securities have no unfunded commitments and are redeemed quarterly with a redemption notice period of 90 days.

Investment income and gains (losses) for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ending June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Income		
Interest income and dividends	\$ 2,907,264	\$ 2,532,412
Realized gains (losses) on sales of securities	<u>1,967,481</u>	<u>(5,100,019)</u>
Total	\$ <u>4,874,745</u>	\$ <u>(2,567,607)</u>
Other changes in unrestricted net assets		
Changes in unrealized gains and losses on investments, net	\$ <u>(3,204,443)</u>	\$ <u>7,090,626</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2 Investments, Continued

Assets Limited as to Use, Continued

The following table outlines fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2012 and 2011

Description of Securities	June 30, 2012					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U S Government and Agency obligations	\$ 2,437,980	\$ (15,356)	\$ 2,642,328	\$ (123,999)	\$ 5,080,308	\$ (139,855)
Mutual funds - fixed income	3,037,631	(15,801)	-	-	3,037,631	(15,801)
Mutual funds - equity	10,194,543	(629,566)	-	-	10,194,543	(629,566)
Mutual funds - international equity	9,548,248	(1,032,805)	-	-	9,548,248	(1,032,805)
Corporate bonds	787,714	(9,952)	379,425	(23,278)	1,167,139	(33,230)
Equity securities - common stock	1,466,179	(136,883)	835,895	(269,307)	2,302,074	(406,190)
Total	\$ 27,472,295	\$ (1,840,863)	\$ 3,837,648	\$ (416,584)	\$ 31,329,943	\$ (2,257,447)

Description of Securities	June 30, 2011					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U S Government and Agency obligations	\$ 2,912,191	\$ (35,751)	\$ 3,224,797	\$ (132,073)	\$ 6,136,988	\$ (167,824)
Municipal obligations	-	-	2,339,480	(344,860)	2,339,480	(344,860)
Corporate bonds	2,508,920	(35,226)	-	-	2,508,920	(35,226)
Equity securities - common stock	739,483	(130,708)	584,037	(418,381)	1,323,520	(549,089)
Equity securities - international	120,550	(6,625)	86,363	(14,531)	206,913	(21,156)
Total	\$ 6,281,144	\$ (208,310)	\$ 6,234,677	\$ (909,845)	\$ 12,515,821	\$ (1,118,155)

- U S. Government and Agency obligations, Municipal obligations and Corporate bonds
The unrealized losses on these investments were primarily caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost or face value of the obligations. Because the System has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2 Investments, Continued

Assets Limited as to Use, Continued

- Mutual funds and Equity securities. For all of these securities with an unrealized loss, such unrealized loss in total was approximately 8% in 2012 and 37% in 2011 of the System's carrying value of the securities in a loss position. The System considers various factors when determining if a decline in the fair value of an equity are other-than-temporary including, but not limited to the length of time and magnitude of the unrealized loss, the volatility of the investment; analyst recommendations and price targets, opinions of the System's external investment managers, market liquidity, and the System's intentions to sell or ability to hold the investments. Based on an evaluation of these factors, the System has concluded that the declines in fair values of the System's equity investments at June 30, 2012 are temporary.

The System's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying combined financial statements.

3 Property and Equipment

A summary of property and equipment at June 30, 2012 and 2011 follows.

	<u>2012</u>	<u>2011</u>
Land	\$ 9,757,455	\$ 9,757,454
Land improvements	7,335,956	8,094,369
Building and fixed equipment	263,640,230	267,775,165
Major movable equipment	<u>237,089,248</u>	<u>264,432,382</u>
	517,822,889	550,059,370
Less accumulated depreciation	<u>373,036,313</u>	<u>403,477,497</u>
	144,786,576	146,581,873
Construction in progress	<u>1,683,533</u>	<u>3,562,165</u>
Property and equipment, net	\$ <u>146,470,109</u>	\$ <u>150,144,038</u>

Depreciation expense for the years ended June 30, 2012 and 2011 amounted to approximately \$21,000,000 and \$22,000,000, respectively.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS. Continued

4 Goodwill

The System acquired Savannah Oncology Group on July 15, 2009. Savannah Oncology Group includes SJC Oncology Services – Georgia, LLC, SJC Oncology Services – South Carolina, LLC and SJC Mercy Oncology, Inc. The goodwill is evaluated annually for impairment.

The changes in the carrying amount of goodwill for the years ended June 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year:		
Goodwill	\$ 59,602,790	\$ 59,562,790
Accumulated impairment losses	<u>(11,658,145)</u>	<u>-</u>
	47,944,645	59,562,790
Goodwill acquired during the year	<u>539,707</u>	<u>40,000</u>
Balance at end of the year:		
Goodwill	48,484,352	59,602,790
Initial implementation of FASB ASC 350	<u>-</u>	<u>(11,658,145)</u>
Net goodwill	\$ <u>48,484,352</u>	\$ <u>47,944,645</u>

On July 1, 2010, the System implemented FASB ASC 350. Using the discounted cash flow method, the System calculated the fair value of Savannah Oncology Group, which produced an impairment of goodwill. The goodwill impairment at July 1, 2010 is recorded as a reduction to unrestricted net assets due to the initial implementation of FASB ASC 350. On June 30, 2012 and 2011, the System calculated the fair value of Savannah Oncology Group with no additional impairment.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

5. Related Organization

Candler Foundation, Inc. and St. Joseph's Foundation of Savannah, Inc. (the Foundations) were established to raise funds to support the operations of Candler Hospital and St. Joseph's Hospital (the Hospitals). The Foundations' bylaws provide that all funds raised, except for funds acquired for the operations of the Foundations, be distributed to or be held for the benefit of the Hospitals. The Foundations' general funds, which represent the Foundations' unrestricted resources, are distributed to the Hospitals in amounts and in periods determined by the Foundations' Boards of Directors, who may also restrict the use of general funds for Hospital plant replacement or expansion or other specific purposes. Plant replacement and expansion funds, specific-purpose funds, and assets obtained from endowment income of the Foundations are distributed to the Hospitals as required to comply with the purpose specified by donors. A summary of the Foundations' assets, liabilities, net assets, results of operations, and changes in net assets follows. The Hospitals' interest in the net assets of the Foundations is reported as a non-current asset in the combined balance sheets.

Candler Foundation, Inc.

	<u>2012</u>	<u>2011</u>
Assets		
Cash	\$ 318,516	\$ 12,245
Investments	2,936,760	2,974,753
Other assets	<u>1,672,576</u>	<u>1,782,114</u>
Total assets	\$ <u>4,927,852</u>	\$ <u>4,769,112</u>
Liabilities		
Accounts payable	\$ 8,266	\$ 17,729
Due to St. Joseph's/Candler Health System, Inc.	<u>20,832</u>	<u>43,782</u>
Total liabilities	<u>29,098</u>	<u>61,511</u>
Net assets.		
Unrestricted	274,493	461,410
Temporarily restricted	3,664,261	3,286,191
Permanently restricted	<u>960,000</u>	<u>960,000</u>
Total net assets	<u>4,898,754</u>	<u>4,707,601</u>
Total liabilities and net assets	\$ <u>4,927,852</u>	\$ <u>4,769,112</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

5 Related Organization, Continued

Candler Foundation, Inc , Continued

	<u>2012</u>	<u>2011</u>
Revenue and support	\$ 1,060,010	\$ 1,054,802
Expenses	<u>705,879</u>	<u>1,159,670</u>
Excess of revenue (expenses)	354,131	(104,868)
Other changes in net assets	(162,978)	290,874
Net assets, beginning of year	<u>4,707,601</u>	<u>4,521,595</u>
Net assets, end of year	\$ <u>4,898,754</u>	\$ <u>4,707,601</u>

St. Joseph's Foundation of Savannah, Inc

	<u>2012</u>	<u>2011</u>
Assets,		
Cash	\$ 91,590	\$ 32,276
Investments	1,571,516	1,593,116
Other assets	<u>221,739</u>	<u>343,514</u>
Total assets	\$ 1,884,845	\$ 1,968,906
Liabilities		
Accounts payable	\$ 429	\$ 19,910
Due to St. Joseph's/Candler Health System, Inc	<u>-</u>	<u>1,510</u>
Total liabilities	<u>429</u>	<u>21,420</u>
Net assets		
Unrestricted	478,809	552,346
Temporarily restricted	1,305,607	1,295,140
Permanently restricted	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>1,884,416</u>	<u>1,947,486</u>
Total liabilities and net assets	\$ 1,884,845	\$ 1,968,906

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

- - - - -

5 Related Organization, Continued

St. Joseph's Foundation of Savannah, Inc , Continued

	<u>2012</u>	<u>2011</u>
Revenue and support	\$ 369,026	\$ 683,800
Expenses	<u>339,294</u>	<u>1,411,586</u>
Excess of revenue (expenses)	29,732	(727,786)
Other changes in net assets	(92,802)	114,438
Net assets, beginning of year	<u>1,947,486</u>	<u>2,560,834</u>
Net assets, end of year	\$ <u>1,884,416</u>	\$ <u>1,947,486</u>

6 Long-Term Debt

The Hospital Authority of Savannah (the Authority) issued three series of bonds pursuant to a Bond Trust Indenture dated September 1, 1998, by and between the Authority and the bond trustee, Wachovia Bank, N A (formerly known as First Union National Bank). The series are as follows: \$38,875,000 principal amount Series A (St. Joseph's Hospital), \$75,585,000 principal amount Series B (Candler Hospital), and \$25,000,000 principal amount Series C (Taxable) (SJC Properties). The Authority simultaneously entered into a Loan Agreement dated September 1, 1998 by and between the Authority and the System, CH and SJH (Obligated Group). Principal is to be paid on July 1st and interest is to be paid on January 1st and July 1st through 2023 by the Obligated Group to the Authority. The Obligated Group has used the proceeds (1) to refund the Authority's Revenue Refunding and Improvement Bonds (Candler Hospital) Series 1992 and the Authority's Revenue Bonds (St. Joseph's Hospital Project) Series 1993, (2) to finance the acquisition of equipment and certain existing office buildings and a parking deck, routine capital expenditures for CH and SJH for a 24-month period, and other capital projects; and (3) to pay costs of issuance of the Series 1998 bonds. In December 2011, Series A and B were paid off with the issuance of the 2011 Revenue Bonds.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6 Long-Term Debt, Continued

The Authority issued a \$45,000,000 principal bond Series 2003 pursuant to a Bond Trust Indenture dated December 1, 2003, by and between the Authority and the bond trustee, Wachovia Bank, N.A. (formerly known as First Union National Bank). The Authority simultaneously entered into a Loan Agreement dated December 1, 2003 by and between the Authority and the Obligated Group. Principal is to be paid on July 1st and interest is to be paid on January 1st and July 1st through 2033 by the Obligated Group to the Authority. The Obligated Group has used the proceeds (1) to finance the construction of a parking deck and the costs of routine capital expenditures for CH and SJH for a 24-month period, and other capital projects; (2) to pay costs of issuance of the Series 2003 bonds; and (3) to fund the Debt Service Reserve Fund in an amount equal to the reserve requirement.

The Pavilion incurred a \$61,000,000 taxable term loan pursuant to a loan agreement dated July 14, 2009 by and between the Pavilion and Regions Bank. On December 1, 2010, the Pavilion amended the loan to modify the terms of the agreement. The remaining principal balance of \$52,500,000 and interest payments will be made monthly through July 2015. The Pavilion has used the proceeds to finance the purchase of Savannah Oncology Group. Effective July 1, 2011, the term loan was transferred to CH. In December 2011, the term loan was paid off with the issuance of the 2011 term loan.

The Authority issued a \$27,640,000 principal bond Series 2010 pursuant to a Bond Trust Indenture dated December 1, 2010, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated December 1, 2010 by and between the Authority and the System. Principal and interest is to be paid monthly through July 2016 by the System to the Authority. The System has used the proceeds to pay the costs of current refunding of certain maturities of the 1998A and 1998B outstanding Revenue Bonds.

The Authority issued a \$31,505,000 principal bond Series 2011-1 pursuant to a Bond Trust Indenture dated December 1, 2011, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated December 1, 2011 by and between the Authority and the System. Interest will be paid monthly through July 2016 by the System to the Authority. Subsequently, principal and interest will be paid through July 2023.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6 Long-Term Debt, Continued

The Authority issued a \$16,000,000 principal bond Series 2011-2 pursuant to a Bond Trust Indenture dated December 1, 2011, by and between the Authority and the bond trustee, TD Bank, N.A. The Authority simultaneously entered into a Loan Agreement dated December 1, 2011 by and between the Authority and the System. Interest will be paid monthly through July 2016 by the System to the Authority. Subsequently, principal and interest will be paid through July 2023. Proceeds for the 2011 Revenue Bonds have been used to pay the costs of current refunding of all outstanding maturities of the Authority's outstanding Series 1998A and Series 1998B Revenue Bonds.

CH incurred a \$31,500,000 taxable term loan pursuant to a Loan Agreement dated December 1, 2011 by and between CH and Regions Bank. Principal and interest will be made monthly through June 2023.

CH incurred a \$16,000,000 taxable term loan pursuant to a Loan Agreement dated December 1, 2011 by and between CH and TD Bank, N.A. Principal and interest will be made monthly through June 2023. Proceeds from the 2011 term loans have been used to pay the outstanding principal amount of the existing 2010 term loan with Regions Bank.

A summary of long-term debt at June 30, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc. Issue Series 1998A (St. Joseph's Hospital) 5.0% term bonds, due July 2018, with varying annual sinking fund requirements commencing in 2015	\$ -	\$ 4,105,000
5.0% term bonds, due July 2023, with varying annual sinking fund requirements commencing in 2019	-	12,185,000
Unamortized premium	<u>-</u>	<u>51,649</u>
Total	<u>-</u>	<u>16,341,649</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, Continued

	<u>2012</u>	<u>2011</u>
Issue Series 1998B (Candler Hospital):		
5.0% term bonds, due July 2018, with varying annual sinking fund requirements commencing in 2015	\$ -	\$ 7,915,000
5.0% term bonds, due July 2023, with varying annual sinking fund requirements commencing in 2019	-	23,300,000
Unamortized premium	<u>-</u>	<u>108,402</u>
Total	<u>-</u>	<u>31,323,402</u>
Issue Series 1998C (SJC Properties)		
6.625% term bonds, due in varying annual sinking fund requirements to July 2018	12,985,000	14,410,000
Unamortized discount	(<u>109,029</u>)	(<u>126,710</u>)
Total	<u>12,875,971</u>	<u>14,283,290</u>
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc		
Issue Series 2003		
4.0% serial bonds, due in varying annual installments to July 2013	2,060,000	3,030,000
5.25% term bonds, due July 2023, with varying annual sinking fund requirements commencing in 2014	13,870,000	13,870,000
5.0% term bonds, due July 2026, with varying annual sinking fund requirements commencing in 2024	5,735,000	5,735,000
5.0% term bonds, due July 2033, with varying annual sinking fund requirements commencing in 2027	17,135,000	17,135,000
Unamortized premium	<u>30,993</u>	<u>32,440</u>
Total	<u>38,830,993</u>	<u>39,802,440</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, Continued

	<u>2012</u>	<u>2011</u>
Cancer Care Pavilion, Inc. taxable term loan, with a variable interest rate based on LIBOR plus a margin based upon the applicable rating, due in monthly installments of \$500,000 to June 2015 and the remaining balance due July 2015	\$ <u>-</u>	\$ <u>49,500,000</u>
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc. Issue Series 2010, with a variable interest rate based on LIBOR plus a margin based on applicable rating, payable in varying monthly amounts from \$402,917 to \$466,667 in July 2016	<u>20,855,000</u>	<u>25,819,168</u>
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc. Issue Series 2011-1, with a variable interest rate based on LIBOR plus a margin based on applicable rating, payable in varying monthly amounts from \$324,412 in August 2016 to \$430,247 in July 2023	31,505,000	-
Unamortized premium	<u>99,493</u>	<u>-</u>
Total	<u>31,604,493</u>	<u>-</u>
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc. Issue Series 2011-2, with a variable interest rate based on LIBOR plus a margin based on applicable rating, payable in varying monthly amounts from \$164,755 in August 2016 to \$218,503 in July 2023	16,000,000	-
Unamortized premium	<u>47,404</u>	<u>-</u>
Total	<u>16,047,404</u>	<u>-</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS Continued

6 Long-Term Debt, Continued

	<u>2012</u>	<u>2011</u>
Candler Hospital, Inc. taxable term loan, with a variable interest rate based on LIBOR plus a margin based upon the applicable rating, due in varying monthly installments of \$165,339 to \$333,901 in June 2023	\$ <u>29,828,784</u>	\$ <u>-</u>
Candler Hospital, Inc. taxable term loan, with a variable interest rate based on LIBOR plus a margin based upon the applicable rating, due in varying monthly installments of \$83,981 to \$169,600 in June 2023	<u>15,151,129</u>	<u>-</u>
	165,193,774	177,069,949
Less current maturities	<u>10,353,768</u>	<u>12,972,755</u>
Total long-term debt	\$ <u>154,840,006</u>	\$ <u>164,097,194</u>

Premiums and discounts on long-term debt are amortized using the straight-line method over the life of the related bonds which approximates the effective interest method

Under the terms of the bond indentures, the System is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying combined balance sheets. The bond indentures also place limits on the incurrence of additional borrowings and require that the System satisfy certain measures of financial performance as long as the bonds are outstanding. Additionally, the bond indentures are secured by substantially all property and equipment of CH, SJH, and Properties.

The System entered into interest rate swaps in relation to its debt structure. During the years ended June 30, 2012 and 2011, the System recognized approximately \$379,000 and \$1,250,000, respectively, which has been recorded as an addition to interest expense in the accompanying combined statements of operations and changes in net assets.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, Continued

Scheduled principal repayments on long-term debt for the next five years are as follows

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 10,353,768
2014	10,735,972
2015	11,126,434
2016	11,539,712
2017	11,988,707
Thereafter	<u>109,449,181</u>
Total	\$ <u>165,193,774</u>

7. Derivative Financial Instruments

The Series 1998 and 2003 bonds utilize various interest rate swaps to take advantage of different interest rate positions. The fair market value of the swaps is reported in derivative financial instruments on the combined balance sheets. The critical terms of the swaps are as follows

1998A and 1998B Swap Agreement - Variable to Fixed

	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>
Notional amount	\$ 72,960,000	\$ 77,330,000
Fair market swap	\$(3,126,000)	\$ 814,000
Life remaining on swap	11 Years	12 Years

1998A and 1998B Swap Agreement - Variable to Variable

	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>
Notional amount	\$ 72,960,000	\$ 77,330,000
Fair market swap	\$ 398,000	\$ 1,176,000
Life remaining on swap	11 Years	12 Years

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7 Derivative Financial Instruments, Continued

	<u>1998C and 2003 Swap Agreement – Variable to Variable</u>	
	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>
Notional amount	\$ 51,785,000	\$ 54,180,000
Fair market swap	\$ 1,275,000	\$ 1,002,000
Life remaining on swap	21 Years	22 Years

The swaps were issued at market terms so that they had no fair value at their inception. The carrying amount of the swaps have been adjusted to fair value at the end of the year which, because of changes in forecasted levels of LIBOR, resulted in reporting a net liability in 2012 and a net asset in 2011. As the swaps were in a net liability position as of June 30, 2012, the System deemed the capacity to perform on the part of the derivative counterparty to be of little or no concern, and no adjustment was applied to standard market valuation practices.

The portion of the swap results not designated as a hedging derivative is included in revenues and gains in excess of expenses and losses. For the years ending June 30, 2012 and 2011, this earnings/(deficit) impact totaled \$(4,444,482) and \$1,737,841, respectively.

In November 2010, the System paid \$10,022,830 to modify the terms of the 1998A and 1998B Swap Agreement – Variable to Fixed and reduced the fixed interest rate term. The fixed interest rate was adjusted from 3.57% to 1.60%.

In 2011, certain provisions of the System's interest rate swaps required the System to hold assets as collateral for a counterparty. At June 30, 2011, the System held approximately \$2,000,000 of the counterparty's assets. These assets are included in assets limited as to use restricted under interest rate swap agreement and deferred compensation agreement and the corresponding liability in collateral held under interest rate swap agreement in the accompanying combined balance sheets.

In 2012, certain provisions of the System's interest rate swaps required a counterparty to hold System assets as collateral. At June 30, 2012, the counterparty held approximately \$2,300,000 of the System's assets. These assets are included in assets limited as to use restricted under interest rate swap agreement and deferred compensation agreement in the accompanying combined balance sheets.

Continued

ST. JOSEPH'S CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

8. Temporarily and Permanently Restricted Net Assets

A summary of the restricted net assets at June 30, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Temporarily restricted net assets:		
Candler Foundation, Inc.	\$ 3,664,261	\$ 3,286,191
St. Joseph's Foundation of Savannah, Inc.	<u>1,305,607</u>	<u>1,295,140</u>
Total	\$ 4,969,868	\$ <u>4,581,331</u>
Permanently restricted net assets:		
Candler Foundation, Inc.	\$ 960,000	\$ 960,000
St. Joseph's Foundation of Savannah, Inc.	<u>100,000</u>	<u>100,000</u>
Total	\$ <u>1,060,000</u>	\$ <u>1,060,000</u>

9. Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the payment agreements with major third-party payors follows:

- Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

The System is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative contractor (MAC). The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the System. The System's Medicare cost reports have been audited by the MAC through 2007.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

9. Patient Service Revenue, Continued

- Medicare, Continued

Revenue from the Medicare program accounted for approximately 40% and 46% of the System's patient service revenue for the years ended 2012 and 2011, respectively. Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined. The 2012 patient service revenue decreased approximately \$2,300,000 primarily due to changes in the SSI% requiring retroactive adjustments in amounts previously estimated.

The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the federal level including the initiation of the Recovery Audit Contractor (RAC) program. The RAC program was created to review Medicare claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look-back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare program.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary. The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2007.

Continued

ST JOSEPH'S CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

9 Patient Service Revenue, Continued

• Medicaid, Continued

Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

The System has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state level including the initiation of the Medicaid Integrity Contractor (MIC) program. This program was created to review Medicaid claims for medical necessity and coding appropriateness. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicaid program.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient service revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment results in an increase in payments for Medicaid services to hospitals of approximately 11.88%. Approximately \$5,139,000 and \$4,960,000 of provider payments relating to the Act are included as a reduction in net patient service revenue in the accompanying combined statements of operations and changes in net assets for the year ended June 30, 2012 and 2011, respectively.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

9. Patient Service Revenue, Continued

• Other Agreements

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements include prospectively determined rates per discharge, prospectively determined daily rates, fixed rates, fee schedules, and discounts from established charges.

The System recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its agreed upon rates for services provided. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant 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:

Patient Service Revenue (Net of Contractual Allowances and Discounts)					
	<u>Medicare</u>	<u>Medicaid</u>	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
2012	\$ <u>184,722,667</u>	\$ <u>21,413,149</u>	\$ <u>198,247,362</u>	\$ <u>51,437,577</u>	\$ <u>455,820,755</u>
2011	\$ <u>202,183,826</u>	\$ <u>20,343,666</u>	\$ <u>174,798,963</u>	\$ <u>43,417,489</u>	\$ <u>440,743,944</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

10 Uncompensated Services

The System was compensated for services at amounts less than its established rates. The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2012 and 2011

	<u>2012</u>	<u>2011</u>
Gross patient charges	\$ <u>1,539,845,171</u>	\$ <u>1,452,367,407</u>
Uncompensated services		
Charity and indigent care	48,569,965	40,650,206
Medicare	604,840,919	535,980,546
Medicaid	111,721,997	103,827,638
Other	318,891,535	331,165,073
Bad debts	<u>56,565,175</u>	<u>48,552,870</u>
Total uncompensated care	<u>1,140,589,591</u>	<u>1,060,176,333</u>
Net patient service revenue	\$ <u><u>399,255,580</u></u>	\$ <u><u>392,191,074</u></u>

The cost of charity and indigent care services provided during 2012 and 2011 was \$12,925,089 and \$11,274,455, respectively, computed by applying a total cost factor to the charges foregone.

11 Pension Plans

Prior to July 1, 2000, the System had a defined benefit pension plan (the Candler Plan) covering substantially all employees of CH and its pre-JOA affiliates and a defined benefit pension plan (the St. Joseph's Plan) covering substantially all employees of SJH. The Candler Plan benefits for retired, terminated and active employees or their beneficiaries were based on years of service and employee compensation during three of the last ten years of covered employment. The St. Joseph's Plan benefits are based on years of service and employee compensation during three of the last ten years of covered employment.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11 Pension Plans, Continued

Effective July 1, 2000, the Candler Plan was merged into the St. Joseph's Plan. The St. Joseph's Plan is a Church Plan (as defined by ERISA) and is not subject to the Funding Standard Account Requirements of IRC Section 412 nor to coverage under Title IV of ERISA. Annual contributions to the combined St. Joseph's Plan are based on the Board's discretion. The funding decisions are made based upon the actuarial valuation as of July 1st. The disclosures are based on projections of actuarial information and actual plan assets as of June 30th.

Effective July 1, 2006, the System approved a plan amendment that effectively froze the defined benefit plan for any future service cost.

The projected benefit obligation is the actuarial present value of that portion of the projected benefits attributable to employee service rendered through June 30, 2006. Cumulative net actuarial gains and losses are amortized over the average future service of active participants. Prior service cost is amortized over the remaining average future service of active employees as of the date the prior service cost arose.

The following table sets forth the St. Joseph's Plan's funded status and amounts recognized in the combined financial statements at June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Plan assets at fair value as of June 30	\$ 58,895,269	\$ 59,483,663
Projected benefit obligation as of June 30	<u>90,431,781</u>	<u>85,339,311</u>
Funded status	\$ (31,536,512)	\$ (25,855,648)
Amounts recognized only in unrestricted net assets		
Unrecognized net loss from past experience different from that assumed	\$ (50,537,710)	\$ (43,712,243)
Prior service cost not yet recognized in net periodic pension cost	<u>9,272,360</u>	<u>10,102,472</u>
Deferred pension cost	\$ (41,265,350)	\$ (33,609,771)

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11 Pension Plans, Continued

Significant assumptions used to determine the accumulated and projected benefit obligations, and net periodic pension cost for the St. Joseph's Plan for the years ended June 30, 2012 and 2011, were as follows

	<u>2012</u>	<u>2011</u>
Discount rate	Segment Rates of 2.67%, 5.69% and 6.44%	Segment Rates of 4.44%, 6.62% and 6.74%
Rate of increase in future compensation levels	0.00%	0.00%
Expected long-term rate of return on assets	8.00%	8.00%

The assumption for the expected long-term rate of return on assets is an estimate based on historical returns for portfolios heavily weighted toward long-term investments, such as long-term bonds and equity securities

The actuarially computed net periodic pension cost for the St. Joseph's Plan for the years ended June 30, 2012 and 2011 included the following components:

	<u>2012</u>	<u>2011</u>
Interest cost on projected benefit obligation	\$ 5,453,809	\$ 5,360,953
Expected return on plan assets	(4,602,874)	(4,267,979)
Amortization of actuarial loss	2,004,462	2,198,366
Amortization of prior service cost	(830,112)	(830,112)
Net periodic pension cost	<u>2,025,285</u>	<u>2,461,228</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Change in net actuarial loss	8,829,929	(2,313,359)
Amortization of net actuarial loss	(2,004,462)	(2,198,366)
Amortization of prior service cost	<u>830,112</u>	<u>830,112</u>
Total recognized in unrestricted net assets	<u>7,655,579</u>	<u>(3,681,613)</u>
Total recognized in net periodic benefit cost and unrestricted net assets	\$ <u>9,680,864</u>	\$ <u>(1,220,385)</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11 Pension Plans, Continued

The change in projected benefit obligation for the St. Joseph's Plan for the years ended June 30, 2012 and 2011 included the following components

	<u>2012</u>	<u>2011</u>
Projected benefit obligation, beginning of year	\$ 85,339,311	\$ 83,843,148
Interest cost	5,453,809	5,360,953
Actuarial loss	3,881,487	30,694
Benefits paid	(4,242,826)	(3,895,484)
Projected benefit obligation, end of year	\$ <u>90,431,781</u>	\$ <u>85,339,311</u>
Accumulated benefit obligation	\$ <u>90,431,781</u>	\$ <u>85,339,311</u>

The change in plan assets for the St. Joseph's Plan for the years ended June 30, 2012 and 2011 included the following components

	<u>2012</u>	<u>2011</u>
Plan assets at fair value, beginning of year	\$ 59,483,663	\$ 53,675,111
Actual return on assets	(345,568)	6,612,032
Employer contributions	4,000,000	3,092,004
Benefits paid	(4,242,826)	(3,895,484)
Plan assets at fair value, end of year	\$ <u>58,895,269</u>	\$ <u>59,483,663</u>

The actuarial loss and prior service cost to be recognized during the next 12 months beginning July 1, 2012 is as follows

Recognized net actuarial loss	\$ 2,399,915
Amortization of prior year service costs	(<u>830,112</u>)
Total	\$ <u>1,569,803</u>

Estimated Contributions

The System plans to contribute approximately \$4,239,000 to this plan during fiscal year 2013

Continued

ST. JOSEPH'S CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11 Pension Plans, Continued

Estimated Future Benefit Payments

The following benefit payments are expected to be paid

<u>Year Ending June 30</u>	<u>Pension Benefits</u>
2013	\$ 3,537,076
2014	\$ 3,773,150
2015	\$ 4,024,008
2016	\$ 4,315,762
2017	\$ 4,571,004
2018 - 2022	\$ 27,885,922

The expected benefits to be paid are based on the same assumptions used to measure the System's benefit obligation at June 30, 2012

Plan Assets

The composition of plan assets at June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>Percentage</u>	<u>2011</u>	<u>Percentage</u>
Cash and cash equivalents	\$ 863,254	1%	\$ 3,270,097	5%
Mutual funds - fixed income	10,922,587	19%	9,957,852	17%
Mutual funds - balanced	1,282,774	2%	-	-
Mutual funds - equity	19,787,419	34%	21,941,761	37%
Mutual funds - international equity	11,334,375	19%	6,758,344	11%
Equity securities	14,103,415	24%	12,358,542	21%
Alternative investments	<u>601,445</u>	<u>1%</u>	<u>5,197,067</u>	<u>9%</u>
Total plan assets, at fair value	\$ 58,895,269	<u>100%</u>	\$ 59,483,663	100%

The plan assets are long-term in nature and are intended to generate returns while preserving capital. The target allocation for the investments is 67% equity, 30% fixed income/alternative investments and 3% cash and equivalents.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11. Pension Plans, Continued

Plan Assets, Continued

The fair values of the System's pension plan assets at June 30, 2012 and 2011, by asset category are as follows:

<u>Fair Value Measurements at June 30, 2012</u>				
<u>Asset Category</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 863,254	\$ 863,254	\$ -	\$ -
Mutual funds - fixed income	10,922,587	10,922,587	-	-
Mutual funds - balanced	1,282,774	1,282,774	-	-
Mutual funds - equity	19,787,419	19,787,419	-	-
Mutual funds - international equity	11,334,375	11,334,375	-	-
Equity securities	14,103,415	14,103,415	-	-
Alternative investments	<u>601,445</u>	<u>-</u>	<u>-</u>	<u>601,445</u>
Total	\$ <u>58,895,269</u>	\$ <u>58,293,824</u>	\$ <u>-</u>	\$ <u>601,445</u>

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11 Pension Plans, Continued

Plan Assets, Continued

Fair Value Measurements at June 30, 2011				
<u>Asset Category</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (<u>Level 1</u>)	Significant Other Observable Inputs (<u>Level 2</u>)	Significant Unobservable Inputs (<u>Level 3</u>)
Cash and cash equivalents	\$ 3,270,097	\$ 3,270,097	\$ -	\$ -
Mutual funds – fixed income	9,957,852	9,957,852	-	-
Mutual funds – equity	21,941,761	21,941,761	-	-
Mutual funds – international equity	6,758,344	6,758,344	-	-
Equity securities	12,358,542	12,358,542	-	-
Alternative investments	<u>5,197,067</u>	<u>-</u>	<u>-</u>	<u>5,197,067</u>
Total	\$ <u>59,483,663</u>	\$ <u>54,286,596</u>	\$ <u>-</u>	\$ <u>5,197,067</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11. Pension Plans, Continued

Plan Assets, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

	<u>Alternative Investments</u>
Beginning balance at July 1, 2010	\$ 6,614,355
Total gains or losses	
Realized	(1,165,623)
Unrealized	(139,533)
Sales	(112,132)
Ending balance at June 30, 2011	5,197,067
Sales	(4,595,622)
Ending balance at June 30, 2012	\$ <u>601,445</u>

The System created a 401(k) plan effective January 1, 2004. All employees of the System who have reached age 21 and have completed one year of eligible service are eligible to participate in the employer matching program. Employees may deposit a portion of their earnings for each pay period on a pre-tax basis and the System matches 50% of each participant's voluntary contributions up to a maximum of 6% of the employee's annual salary. Matching contribution expenses for the years ended June 30, 2012 and 2011 totaled approximately \$2,800,000. Discretionary contribution expense for the years ended June 30, 2012 and 2011 totaled approximately \$4,250,000 and \$4,100,000, respectively.

The System maintains an unfunded Supplemental Executive Retirement Plan ("SERP"), which provides retirement benefits to certain officers and select employees. This plan is non-qualified and does not have a minimum funding requirement. The liability for this SERP obligation is included as deferred compensation payable and the assets set aside as a reserve for this liability are included in Board designated assets limited as to use in the accompanying combined balance sheets.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

12 Self-Insurance Claims

The System insures its professional and general liability on a claims-made basis through Geechee, a wholly owned subsidiary, with a self-insured retention limit of \$7,000,000. At June 30, 2012, there are known claims and incidents that may result in additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The System has employed independent actuaries to assist in estimating the ultimate costs, if any, of settlement of such claims that are not covered by commercial insurance.

Accrued malpractice losses have been discounted at 4.65% and 4.25% for June 30, 2012 and 2011, respectively, and in management's opinion, provide an adequate reserve for loss contingencies. The estimate of these potential claims is approximately \$19,000,000 and \$18,900,000 at June 30, 2012 and 2011, respectively, and is included in accrued self-insurance claims in the accompanying combined balance sheets. Management was not aware of any asserted or unasserted claims that exceed the System's insurance coverage as of June 30, 2012.

The System is self-insured with respect to workers compensation claims up to a self-insurance retention limit of \$600,000 per claim. Workers compensation claims in excess of the self-insurance retention limits are insured with a commercial insurance carrier on a claims-made basis. Management was not aware of any asserted or unasserted claims that exceed the System's excess workers compensation coverage as of June 30, 2012.

The System is self-insured with respect to employee health insurance claims. The System maintains reinsurance through a commercial excess coverage policy, which covers annual individual employee claims paid in excess of \$225,000. Reimbursement under this policy is limited to a lifetime maximum of \$2,000,000 per employee or dependent and \$2,000,000 per policy period. Under this self-insurance program, the System paid or accrued approximately \$11,400,000 and \$12,600,000 during the fiscal years ended June 30, 2012 and 2011, respectively.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

13 Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors, net of contractual adjustments and estimated uncollectibles, for CH and SJH at June 30, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Medicare	33 %	31 %
Medicaid	6 %	8 %
Managed care	25 %	28 %
Commercial and other	13 %	12 %
Self-pay	<u>23 %</u>	<u>21 %</u>
Total	<u>100 %</u>	<u>100 %</u>

At June 30, 2012, the System had deposits at major financial institutions which exceeded Federal Depository Insurance limits. Management believes the credit risks related to these deposits is minimal.

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national or at the state level. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the System.

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the national and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. The System has implemented a compliance plan focusing on such issues. There can be no assurance that the System will not be subjected to future investigations with accompanying monetary damages.

The System is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's future financial position or results from operations.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

13 Concentrations of Credit Risk, Continued

In January 2011, the Securities and Exchange Commission (SEC) charged SJK Investment Management, LLC (SJK), one of the System's alternative investment managers, and the managing member of SJK with securities fraud. As a result, the United States District Court placed an asset freeze on the assets of SJK and its managing member. In February 2011, the United States District Court appointed a receiver for SJK with the responsibility to liquidate the funds of SJK.

During the years ending June 30, 2012 and 2011, the System wrote off approximately \$250,000 and \$5,300,000, respectively, of the value of SJK for amounts that were deemed uncollectible based on correspondence from the receiver. These amounts are included in investment income (loss) in the combined statements of operations and changes in net assets. During 2012, the System received proceeds relating to the SJK funds of approximately \$26,364,000. The remaining balance of the investment in SJK of approximately \$2,597,000 as of June 30, 2012, is management's best estimate of the amounts that they will recover upon final liquidation.

14 Functional Expenses

The System provides general health care services primarily to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 304,473,345	\$ 303,995,668
General and administrative	<u>105,299,156</u>	<u>98,822,732</u>
Total	\$ <u>409,772,501</u>	\$ <u>402,818,400</u>

15 Fair Values of Financial Instruments

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

- Cash and cash equivalents: The carrying amount reported in the combined balance sheets for cash and cash equivalents approximates its fair value.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15. Fair Values of Financial Instruments, Continued

- Assets limited as to use: Fair values, which are the amounts reported in the combined balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities
- Accounts payable and accrued expenses: The carrying amount reported in the combined balance sheets for accounts payable and accrued expenses approximates its fair value
- Estimated third-party payor settlements: The carrying amount reported in the combined balance sheets for estimated third-party payor settlements approximates its fair value.
- Long-term debt: The fair value of the System's fixed rate long-term debt is based on quoted market value for same or similar debt instruments. The remaining long-term debt carrying amount approximates its fair value.
- Derivative financial instruments: The carrying amount reported in the combined balance sheets for derivative financial instruments approximates its fair value.

The carrying amounts and fair values of the System's financial instruments at June 30, 2012 and 2011 are as follows:

	2012		2011	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 32,836,685	\$ 32,836,685	\$ 21,465,979	\$ 21,465,979
Assets limited as to use	\$ 136,805,397	\$ 136,805,397	\$ 136,535,317	\$ 136,535,317
Accounts payable and accrued expenses	\$ 53,157,964	\$ 53,157,964	\$ 44,125,535	\$ 44,125,535
Estimated third-party payor settlements - assets (liability)	\$ (3,258,860)	\$ (3,258,860)	\$ 1,501,646	\$ 1,501,646
Long-term debt	\$ 165,193,774	\$ 167,000,000	\$ 177,069,949	\$ 173,000,000
Derivative financial instruments - asset (liability)	\$ (1,452,406)	\$ (1,452,406)	\$ 2,992,076	\$ 2,992,076

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15 Fair Values of Financial Instruments, Continued

Fair values of assets and liabilities measured on a recurring basis at June 30, 2012 and 2011 are as follows

		Fair Value Measurements at June 30, 2012		
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/Liabilities (<u>Level 1</u>)	Significant Other Observable Inputs (<u>Level 2</u>)	Significant Unobservable Inputs (<u>Level 3</u>)
Assets:				
Cash and cash equivalents	\$ 9,673,694	\$ 9,673,694	\$ -	\$ -
U S. Government and Agency obligations	10,196,044	9,673,679	522,365	-
Municipal obligations	2,684,340	2,684,340	-	-
Corporate bonds	11,855,210	7,074,878	4,780,332	-
Mutual funds – fixed income	27,714,457	27,714,457	-	-
Mutual funds – balanced	5,107,753	5,107,753	-	-
Mutual funds – equity	37,962,371	37,962,371	-	-
Mutual funds – international equity	13,757,309	13,757,309	-	-
Equity securities – common stock	13,963,195	13,963,195	-	-
Equity securities – international	512,713	512,713	-	-
Alternative investments	<u>3,378,311</u>	<u>-</u>	<u>-</u>	<u>3,378,311</u>
Total assets	\$ <u>136,805,397</u>	\$ <u>128,124,389</u>	\$ <u>5,302,697</u>	\$ <u>3,378,311</u>
Liabilities:				
Derivatives	\$ <u>1,452,406</u>	\$ <u>-</u>	\$ <u>1,452,406</u>	\$ <u>-</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15 Fair Values of Financial Instruments, Continued

		<u>Fair Value Measurements at June 30, 2011</u>		
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (<u>Level 1</u>)	Significant Other Observable Inputs (<u>Level 2</u>)	Significant Unobservable Inputs (<u>Level 3</u>)
Assets				
Cash and cash equivalents	\$ 9,213,607	\$ 9,213,607	\$ -	\$ -
U S Government and Agency obligations	15,715,161	12,977,808	2,737,353	-
Municipal obligations	2,684,340	2,684,340	-	-
Corporate bonds	12,691,029	7,685,448	5,005,581	-
Mutual funds – fixed income	21,481,084	21,481,084	-	-
Mutual funds – equity	14,847,974	14,847,974	-	-
Mutual funds – international equity	5,968,657	5,968,657	-	-
Equity securities – common stock	22,871,846	22,871,846	-	-
Equity securities – international	847,269	847,269	-	-
Alternative investments	30,214,350	-	-	30,214,350
Derivatives	2,992,076	-	2,992,076	-
Goodwill (nonrecurring)	<u>47,944,645</u>	<u>-</u>	<u>-</u>	<u>47,944,645</u>
Total assets	\$ 187,472,038	\$ 98,578,033	\$ 10,735,010	\$ 78,158,995

In accordance with the provisions of FASB ASC 350, *Intangibles – Goodwill and Other*, goodwill, with a carrying amount of approximately \$60,000,000, was written down to its implied fair value of approximately \$48,000,000. This resulted in an impairment charge of approximately \$12,000,000, which was included in changes in net assets for 2011.

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15 Fair Values of Financial Instruments, Continued

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Financial assets using Level 3 inputs were primarily valued using market values of underlying assets held by the limited partnership. The limited partnership invests in a variety of securities and financial instruments, some of which do not have readily available market prices. In the absence of readily available market prices, the fair values are estimated by the investment managers of those investment funds. Estimated values may differ from the values that would have been used if readily available market prices existed or if the investments were liquidated at the valuation date. Valuation techniques utilized to determine fair value are consistently applied. These valuation techniques also apply to financial assets held in the Defined Benefit Pension Plan as discussed in Note 11.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	<u>Alternative Investments</u>
Beginning balance at July 1, 2010	\$ 29,245,112
Total gains or losses (realized/unrealized):	
Included in revenue and gains in excess (deficient) of expenses and losses	(5,252,724)
Purchases	6,455,036
Sales	(233,074)
Ending balance at June 30, 2011	30,214,350
Total gains or losses (realized/unrealized):	
Included in revenue and gains in excess (deficient) of expense and losses	(238,107)
Sales	(26,597,932)
Ending balance at June 30, 2012	\$ <u>3,378,311</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

16. Commitments and Contingencies

The System leases buildings and equipment under lease agreements which do not meet the criteria for capitalization. Total rental expense under such leases with nonaffiliates was approximately \$3,800,000 and \$4,000,000 for the years ended June 30, 2012 and 2011, respectively. Minimum future rentals on existing noncancelable leases for building and equipment from nonaffiliates as of June 30, 2012 are estimated to be as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 2,441,087
2014	1,335,282
2015	866,850
2016	492,945
2017	259,683
Thereafter	<u>304,085</u>
Total	\$ <u>5,699,932</u>

17. Meaningful Use Incentives

The Health Information Technology for Economic and Clinical Health Act (the HITECH Act) was enacted into law on February 17, 2009, as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals. Beginning with fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of its certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to reductions to Medicare reimbursements beginning in FY 2015. On July 13, 2010, the Department of Health and Human Services (DHHS) released final meaningful use regulations. Meaningful use criteria are divided into three distinct stages: I, II and III. The final rules specify the initial criteria for physicians and eligible hospitals necessary to qualify for incentive payments, calculation of the incentive payment amounts, payment adjustments under Medicare for covered professional services and inpatient hospital services, eligible hospitals failing to demonstrate meaningful use of certified EHR technology; and other program participation requirements.

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

17 Meaningful Use Incentives, Continued

The final rule set the earliest interim payment date for the incentive payment at May 2011. The first year of the Medicare portion of the program is defined as the federal government fiscal year October 1, 2010 to September 30, 2011.

The System recognizes income related to Medicare and Medicaid incentive payments using a grant model based upon when it has determined that it is reasonably assured that the applicable period and the cost report information is reasonably estimable.

The System successfully demonstrated meeting Medicaid meaningful use of its certified EHR technology as of June 30, 2012. The System applied for and received approval from Medicaid that the System qualified for approximately \$1,300,000 from the program. This was received in 2012 and is included with other revenue on the combined statements of operations and changes in net assets.

INDEPENDENT AUDITOR'S REPORT ON
COMBINING INFORMATION

Board of Trustees
St. Joseph's/Candler Health System, Inc
Savannah, Georgia

We have audited the combined financial statements of St. Joseph's/Candler Health System, Inc. as of and for the years ended June 30, 2012 and 2011, and our report thereon dated October 18, 2012, which expressed an unqualified opinion on those combined financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information included in this report on pages 56 to 75, inclusive, is presented for purposes of additional analysis of the combined financial statements rather than to present the balance sheets, statements of excess revenues (expenses) and statements of cash flows of the individual entities, and is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position, results of the statements of excess revenues (expenses) and cash flows of the individual companies.

The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Draffin & Tucker, LLP
Albany, Georgia
October 18, 2012

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS

June 30, 2012

	St. Joseph's Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Assets					
Current assets					
Cash and cash equivalents	\$ 29,865,198	\$ 45,573	\$ 7,297	\$ 56,975	\$ 83,685
Assets limited as to use required for current liabilities	1,988,981	-	-	-	-
Patient accounts receivable, net	-	28,383,249	27,987,061	287,116	1,369,026
Other receivables	959,686	4,374,252	67,709	-	184,031
Due from affiliates	-	-	100,161,652	-	-
Inventories	-	4,122,919	5,161,002	-	-
Prepaid expenses	<u>3,022,851</u>	<u>509,554</u>	<u>393,557</u>	<u>23,440</u>	<u>28,758</u>
Total current assets	<u>35,836,716</u>	<u>37,435,547</u>	<u>133,778,278</u>	<u>367,531</u>	<u>1,665,500</u>
Assets limited as to use					
Held in trust under bond indenture	3,633,725	-	-	-	-
Restricted under interest rate swap agreement and deferred compensation agreement	2,330,621	387,704	2,165,395	-	-
Board designated	<u>92,682,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,462,680</u>
Total assets limited as to use	<u>98,646,696</u>	<u>387,704</u>	<u>2,165,395</u>	<u>-</u>	<u>3,462,680</u>
Property and equipment, net	<u>8,808,000</u>	<u>83,323,976</u>	<u>35,268,963</u>	<u>308,636</u>	<u>4,807,482</u>
Other assets					
Investments in affiliates	206,885,978	-	-	-	-
Long-term investments	5,000	2,042,041	219,688	6,510	14,790
Goodwill	-	48,323,352	-	-	161,000
Beneficial interest in net assets of Foundations	-	4,898,754	1,884,416	-	-
Deferred financing costs, net	<u>1,321,309</u>	<u>1,150,417</u>	<u>449,962</u>	<u>-</u>	<u>-</u>
Total other assets	<u>208,212,287</u>	<u>56,414,564</u>	<u>2,554,066</u>	<u>6,510</u>	<u>175,790</u>
Total assets	\$ <u>351,503,699</u>	\$ <u>177,561,791</u>	\$ <u>173,766,702</u>	\$ <u>682,677</u>	\$ <u>10,111,452</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geehee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ -	\$ 3,826	\$ -	\$ 476,457	\$ 2,297,674	\$ 32,836,685	\$ -	\$ 32,836,685
2,055,955	-	-	-	-	4,044,936	-	4,044,936
-	-	-	63,099	-	58,089,551	-	58,089,551
80,833	11,087	-	230,193	-	5,907,791	-	5,907,791
-	-	-	-	-	100,161,652	(100,161,652)	-
-	43,249	-	-	-	9,327,170	-	9,327,170
<u>3,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,145</u>	<u>3,995,340</u>	<u>-</u>	<u>3,995,340</u>
<u>2,139,823</u>	<u>58,162</u>	<u>-</u>	<u>769,749</u>	<u>2,311,819</u>	<u>214,363,125</u>	<u>(100,161,652)</u>	<u>114,201,473</u>
-	-	-	-	-	3,633,725	-	3,633,725
-	-	-	-	-	4,883,720	-	4,883,720
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,097,986</u>	<u>124,243,016</u>	<u>-</u>	<u>124,243,016</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,097,986</u>	<u>132,760,461</u>	<u>-</u>	<u>132,760,461</u>
<u>10,378,829</u>	<u>-</u>	<u>-</u>	<u>3,574,223</u>	<u>-</u>	<u>146,470,109</u>	<u>-</u>	<u>146,470,109</u>
-	-	-	-	-	206,885,978	(206,885,978)	-
2,620	1,348	-	-	-	2,291,997	-	2,291,997
-	-	-	-	-	48,484,352	-	48,484,352
-	-	-	-	-	6,783,170	-	6,783,170
<u>163,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,085,160</u>	<u>-</u>	<u>3,085,160</u>
<u>166,092</u>	<u>1,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,530,657</u>	<u>(206,885,978)</u>	<u>60,644,679</u>
\$ <u>12,684,744</u>	\$ <u>59,510</u>	\$ <u>-</u>	\$ <u>4,343,972</u>	\$ <u>30,409,805</u>	\$ <u>761,124,352</u>	\$ <u>(307,047,630)</u>	\$ <u>454,076,722</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2012

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Liabilities and Net Assets					
Current liabilities					
Current maturities of long-term debt	\$ 1,011,447	\$ 6,193,790	\$ 1,646,211	\$ -	\$ -
Accounts payable	4,532,126	6,501,399	8,192,755	253,316	263,047
Accrued employee related expenses	13,855,259	6,987,223	4,715,283	348,875	367,412
Other accrued expenses	2,540,491	3,105,945	282,454	-	58,993
Due to affiliates	87,471,388	12,628,794	-	-	-
Estimated third-party settlements	-	(275,701)	3,534,561	-	-
Total current liabilities	109,410,711	35,141,450	18,371,264	602,191	689,452
Long-term debt, excluding current maturities	37,819,546	83,873,794	21,773,015	-	-
Accrued self-insurance claims	1,614,897	-	-	-	-
Accrued pension cost	31,536,512	-	-	-	-
Deferred compensation payable	-	387,704	2,165,395	-	4,192,741
Derivative financial instruments	(955,291)	1,795,090	932,310	-	-
Total liabilities	179,426,375	121,198,038	43,241,984	602,191	4,882,193
Net assets					
Common stock	-	-	-	-	500
Unrestricted net assets	172,077,324	51,739,492	129,119,111	80,486	5,228,759
Temporarily restricted net assets	-	3,664,261	1,305,607	-	-
Permanently restricted net assets	-	960,000	100,000	-	-
Total net assets	172,077,324	56,363,753	130,524,718	80,486	5,229,259
Total liabilities and net assets	\$ 351,503,699	\$ 177,561,791	\$ 173,766,702	\$ 682,677	\$ 10,111,452

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ 1,502,320	\$ -	\$ -	\$ -	\$ -	\$ 10,353,768	\$ -	\$ 10,353,768
29,235	2,068	-	165,894	142,662	20,082,502	-	20,082,502
6,372	16,662	-	230,282	-	26,527,368	-	26,527,368
481,374	24,303	-	-	51,534	6,548,094	-	6,548,094
-	-	-	-	61,470	100,161,652	(100,161,652)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,258,860</u>	<u>-</u>	<u>3,258,860</u>
2,022,301	43,033	-	396,176	255,666	166,932,244	(100,161,652)	66,770,592
11,373,651	-	-	-	-	154,840,006	-	154,840,006
-	-	-	-	19,039,145	20,654,042	-	20,654,042
-	-	-	-	-	31,536,512	-	31,536,512
-	-	-	-	-	6,745,840	-	6,745,840
(319,703)	-	-	-	-	1,452,406	-	1,452,406
<u>13,076,249</u>	<u>43,033</u>	<u>-</u>	<u>396,176</u>	<u>19,294,811</u>	<u>382,161,050</u>	<u>(100,161,652)</u>	<u>281,999,398</u>
500	165,000	-	-	120,000	286,000	(286,000)	-
(392,005)	(148,523)	-	3,947,796	10,994,994	372,647,434	(206,599,978)	166,047,456
-	-	-	-	-	4,969,868	-	4,969,868
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,060,000</u>	<u>-</u>	<u>1,060,000</u>
(391,505)	16,477	-	3,947,796	11,114,994	378,963,302	(206,885,978)	172,077,324
\$ 12,684,744	\$ 59,510	\$ -	\$ 4,343,972	\$ 30,409,805	\$ 761,121,352	\$ (307,047,630)	\$ 454,076,722

See accompanying independent auditors' report on combining information

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINING BALANCE SHEETS

June 30, 2011

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Assets					
Current assets					
Cash and cash equivalents	\$ 19,957,821	\$ 4,548	\$ 7,297	\$ 139,647	\$ 119,255
Assets limited as to use required for current liabilities	1,965,456	780,459	407,293	-	-
Patient accounts receivable, net	-	22,903,507	23,737,051	337,499	955,154
Other receivables	504,159	2,878,568	190,089	312,370	97,858
Due from affiliates	-	-	88,553,842	-	-
Inventories	-	3,880,306	5,076,535	-	-
Prepaid expenses	1,754,572	347,316	407,203	24,221	26,730
Estimated third-party payor settlements	-	1,057,994	460,328	(27,041)	10,365
Total current assets	<u>24,182,008</u>	<u>31,852,698</u>	<u>118,839,638</u>	<u>786,696</u>	<u>1,209,362</u>
Assets limited as to use					
Held in trust under bond indenture	3,477,687	-	-	-	-
Restricted under interest rate swap agreement and deferred compensation agreement	1,740,032	382,106	2,226,344	-	-
Board designated	<u>91,563,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,004,610</u>
Total assets limited as to use	<u>96,781,469</u>	<u>382,106</u>	<u>2,226,344</u>	<u>-</u>	<u>3,004,610</u>
Property and equipment, net	<u>8,165,027</u>	<u>65,257,633</u>	<u>38,317,612</u>	<u>247,128</u>	<u>5,044,020</u>
Derivative financial instruments	<u>735,693</u>	<u>1,310,119</u>	<u>679,698</u>	<u>-</u>	<u>-</u>
Other assets					
Investments in affiliates	187,398,712	-	-	-	-
Long-term investments	-	1,428,822	219,686	6,910	14,790
Goodwill	-	-	-	-	141,000
Beneficial interest in net assets of Foundations	-	4,707,601	1,947,486	-	-
Deferred financing costs, net	<u>1,385,424</u>	<u>891,936</u>	<u>459,291</u>	<u>-</u>	<u>-</u>
Total other assets	<u>188,784,136</u>	<u>7,028,359</u>	<u>2,626,463</u>	<u>6,910</u>	<u>155,790</u>
Total assets	\$ <u>318,648,333</u>	\$ <u>105,830,915</u>	\$ <u>162,689,755</u>	\$ <u>1,040,734</u>	\$ <u>9,413,782</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ -	\$ 27,791	\$ 44,299	\$ 139,176	\$ 726,145	\$ 21,465,979	\$ -	\$ 21,465,979
1,943,880	-	-	-	-	5,097,088	-	5,097,088
-	-	1,007,182	95,896	-	49,036,289	-	49,036,289
118,240	32,990	448,258	237,450	-	4,819,982	-	4,819,982
-	-	-	-	-	88,553,842	(88,553,842)	-
-	49,005	-	-	-	9,005,846	-	9,005,846
1,597	-	54,521	-	1,545	2,617,708	-	2,617,708
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,501,646</u>	<u>-</u>	<u>1,501,646</u>
<u>2,063,717</u>	<u>109,786</u>	<u>1,554,263</u>	<u>772,522</u>	<u>727,690</u>	<u>182,098,380</u>	<u>(88,553,842)</u>	<u>93,544,538</u>
-	-	-	-	-	3,477,687	-	3,477,687
-	-	-	-	-	4,348,482	-	4,348,482
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,043,700</u>	<u>123,612,060</u>	<u>-</u>	<u>123,612,060</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,043,700</u>	<u>131,438,229</u>	<u>-</u>	<u>131,438,229</u>
<u>10,743,883</u>	<u>10,882</u>	<u>18,657,550</u>	<u>3,700,303</u>	<u>-</u>	<u>150,144,038</u>	<u>-</u>	<u>150,144,038</u>
<u>266,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,992,076</u>	<u>-</u>	<u>2,992,076</u>
-	-	-	-	-	187,398,712	(187,398,712)	-
855	1,348	-	-	-	1,672,411	-	1,672,411
-	-	47,803,645	-	-	47,944,645	-	47,944,645
-	-	-	-	-	6,655,087	-	6,655,087
<u>189,928</u>	<u>-</u>	<u>240,971</u>	<u>-</u>	<u>-</u>	<u>3,167,550</u>	<u>-</u>	<u>3,167,550</u>
<u>190,783</u>	<u>1,348</u>	<u>48,044,616</u>	<u>-</u>	<u>-</u>	<u>246,838,405</u>	<u>(187,398,712)</u>	<u>59,439,693</u>
\$ <u>13,264,949</u>	\$ <u>122,016</u>	\$ <u>68,256,429</u>	\$ <u>4,472,825</u>	\$ <u>29,771,390</u>	\$ <u>713,511,128</u>	\$ <u>(275,952,554)</u>	\$ <u>437,558,574</u>

Continued

ST. JOSEPH'S CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2011

	St. Joseph's Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Liabilities and Net Assets					
Current liabilities					
Current maturities of long-term debt	\$ 971,447	\$ 3,034,550	\$ 1,559,438	\$ -	\$ -
Accounts payable	2,084,117	4,363,875	4,824,315	285,216	183,286
Accrued employee related expenses	11,801,135	4,891,100	3,864,560	286,644	261,841
Other accrued expenses	2,669,732	4,179,370	1,874,129	-	74,819
Due to affiliates	<u>71,297,521</u>	<u>17,256,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	88,826,952	33,728,216	12,122,442	571,860	519,946
Long-term debt, excluding current maturities	38,830,993	45,338,739	23,551,492	-	-
Accrued self-insurance claims	260,591	-	-	-	-
Accrued pension cost	25,855,648	-	-	-	-
Deferred compensation payable	-	382,106	2,226,344	-	3,876,134
Collateral held under interest rate swap agreement	1,740,000	-	-	-	-
Derivative financial instruments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>155,514,184</u>	<u>79,449,061</u>	<u>37,900,278</u>	<u>571,860</u>	<u>1,396,080</u>
Net assets					
Common stock	-	-	-	-	500
Unrestricted net assets	163,134,149	22,135,663	123,394,337	468,874	5,017,202
Temporarily restricted net assets	-	3,286,191	1,295,140	-	-
Permanently restricted net assets	<u>-</u>	<u>960,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Total net assets	163,134,149	26,381,854	124,789,477	468,874	5,017,702
Total liabilities and net assets	\$ 318,648,333	\$ 105,830,915	\$ 162,689,755	\$ 1,040,734	\$ 9,413,782

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Intimacy</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ 1,407,320	\$ -	\$ 6,000,000	\$ -	\$ -	\$ 12,972,755	\$ -	\$ 12,972,755
37,935	24,522	299,147	114,746	65,710	12,282,869	-	12,282,869
5,880	461,818	321,386	198,902	-	22,099,266	-	22,099,266
548,755	118,134	238,226	-	40,235	9,743,400	-	9,743,400
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,553,842</u>	<u>(88,553,842)</u>	<u>-</u>
1,999,890	604,474	6,858,759	313,648	105,945	145,652,132	(88,553,842)	57,098,290
12,875,970	-	43,500,000	-	-	164,097,194	-	164,097,194
-	-	-	-	18,888,118	19,148,709	-	19,148,709
-	-	-	-	-	25,855,648	-	25,855,648
-	-	-	-	-	6,484,584	-	6,484,584
-	-	-	-	-	1,740,000	-	1,740,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
14,875,860	604,474	50,358,759	313,648	18,994,063	362,978,267	(88,553,842)	274,424,425
500	165,000	-	-	120,000	286,000	(286,000)	-
(1,611,411)	(647,458)	17,897,670	4,159,177	10,657,327	344,605,530	(187,112,712)	157,492,818
-	-	-	-	-	4,581,331	-	4,581,331
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,060,000</u>	<u>-</u>	<u>1,060,000</u>
(1,610,911)	(482,458)	17,897,670	4,159,177	10,777,327	350,532,861	(187,398,712)	163,134,149

\$ 13,264,949 \$ 122,016 \$ 68,256,429 \$ 4,472,825 \$ 29,771,390 \$ 713,511,128 \$(275,952,554) \$ 437,558,574

See accompanying independent auditors' report on combining information

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES)

June 30, 2012

	St. Joseph's Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Unrestricted revenues, gains and other support					
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 231,053,352	\$ 203,161,678	\$ 9,056,691	\$ 9,113,473
Provision for bad debts	-	(32,697,299)	(23,219,710)	(78,778)	(569,388)
Net patient service revenue	-	198,356,053	179,941,968	8,977,913	8,544,085
Other revenue	-	23,290,697	1,481,811	-	1,146,044
Total unrestricted revenues, gains and other support	-	221,646,750	184,423,779	8,977,913	9,690,129
Expenses					
Salaries and wages	-	83,989,172	65,973,059	4,717,152	7,495,020
Employee benefits	-	18,788,963	15,112,575	739,252	1,725,946
Physician and professional fees	-	9,862,710	8,835,239	862,074	213,609
Materials and supplies	-	45,785,429	59,454,168	279,742	674,832
Purchased services	-	4,647,659	8,674,530	55,083	760,238
Insurance	-	2,869,920	2,560,904	-	161,647
Interest	-	4,119,219	1,698,532	-	68,108
Depreciation and amortization	-	12,236,855	7,877,657	102,539	341,443
Other	-	11,121,892	9,157,031	1,004,807	1,425,728
Total expenses	-	206,121,819	178,773,695	7,751,649	12,866,571
Income (loss) from operations	-	15,224,931	5,650,084	1,226,264	(3,176,442)
Other income					
Investment income	-	772,244	3,003,668	481	84,591
Change in fair value of derivative instruments	-	(3,007,317)	(1,505,553)	-	-
Gain on investments in affiliates	19,404,111	-	-	-	-
Other income (loss) net	19,404,111	(2,235,073)	1,498,115	481	84,591
Revenues and gains in excess (deficient) of expenses and losses	\$ 19,404,111	\$ 12,989,858	\$ 7,148,199	\$ 1,226,745	\$ (3,091,851)

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ - -	\$ - -	\$ - -	\$ 3,435,561 -	\$ - -	\$ 455,820,755 (56,565,175)	\$ - -	\$ 455,820,755 (56,565,175)
		-	3,435,561	-	399,255,580	-	399,255,580
<u>1,727,457</u>	<u>217,751</u>	<u>-</u>	<u>229,339</u>	<u>4,449,515</u>	<u>35,542,614</u>	<u>(6,051,845)</u>	<u>29,490,769</u>
<u>1,727,457</u>	<u>217,751</u>	<u>-</u>	<u>3,664,900</u>	<u>4,449,515</u>	<u>434,798,194</u>	<u>(6,051,845)</u>	<u>428,716,349</u>
122,579	192,186	-	1,629,329	-	163,218,497	-	163,218,497
19,582	44,532	-	390,765	-	36,842,615	-	36,842,615
26,375	1,644	-	478,728	128,248	20,408,627	-	20,408,627
5,960	48,722	-	140,427	-	106,389,280	-	106,389,280
42,638	39,963	-	88,730	-	24,308,841	(980,142)	23,328,699
3,097	-	-	-	4,469,754	10,065,322	(4,449,515)	5,615,807
30,543	-	-	-	-	5,916,402	-	5,916,402
624,900	10,882	-	126,082	-	21,320,358	-	21,320,358
<u>926,965</u>	<u>19,694</u>	<u>-</u>	<u>386,989</u>	<u>11,298</u>	<u>27,354,404</u>	<u>(622,188)</u>	<u>26,732,216</u>
<u>1,802,639</u>	<u>357,623</u>	<u>-</u>	<u>3,241,050</u>	<u>4,609,300</u>	<u>415,824,346</u>	<u>(6,051,845)</u>	<u>409,772,501</u>
<u>(75,182)</u>	<u>(139,872)</u>	<u>-</u>	<u>423,850</u>	<u>(159,785)</u>	<u>18,973,848</u>	<u>-</u>	<u>18,973,848</u>
64,130	-	-	-	949,631	4,874,745	-	4,874,745
68,388	-	-	-	-	(4,444,482)	-	(4,444,482)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,404,111</u>	<u>(19,404,111)</u>	<u>-</u>
<u>132,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>949,631</u>	<u>19,834,374</u>	<u>(19,404,111)</u>	<u>430,263</u>
\$ 57,336	\$(139,872)	\$ -	\$ 423,850	\$ 789,846	\$ 38,808,222	\$(19,404,111)	\$ 19,404,111

See accompanying independent auditor's report on combining information

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES)

June 30, 2011

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Unrestricted revenues, gains and other support					
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 204,124,686	\$ 202,011,813	\$ 8,840,203	\$ 9,478,060
Provision for bad debts	-	(27,152,851)	(19,932,007)	(52,941)	(631,049)
Net patient service revenue	-	176,971,835	182,079,806	8,787,262	8,847,011
Other revenue	-	14,128,230	3,845,781	-	723,991
Total unrestricted revenues, gains and other support	-	191,100,065	185,925,587	8,787,262	9,571,002
Expenses					
Salaries and wages	-	73,632,277	64,227,969	4,608,779	7,012,061
Employee benefits	-	17,371,638	15,116,917	737,875	1,769,413
Physician and professional fees	-	8,708,984	7,881,129	799,139	239,660
Materials and supplies	-	44,649,836	58,994,210	208,188	668,379
Purchased services	-	14,753,354	9,167,616	32,701	803,607
Insurance	-	1,394,131	1,481,233	569	139,148
Interest	-	4,572,457	2,569,949	-	78,859
Depreciation and amortization	-	9,899,238	8,901,006	96,232	349,608
Other	-	12,186,104	9,707,596	953,748	1,571,295
Total expenses	-	187,168,019	178,047,625	7,437,231	12,632,030
Income (loss) from operations	-	3,932,046	7,877,962	1,350,031	(3,061,028)
Other income					
Investment income (loss)	-	(389,394)	(2,267,397)	878	95,148
Change in fair value of derivative instruments	-	937,770	618,353	-	-
Gain on investments in affiliates	10,690,653	-	-	-	-
Other income (loss), net	10,690,653	548,376	(1,649,044)	878	95,148
Revenues and gains in excess (deficient) of expenses and losses	\$ 10,690,653	\$ 4,480,422	\$ 6,228,918	\$ 1,350,909	\$ (2,965,880)

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Intimairy</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ -	\$ -	\$ 12,831,662	\$ 3,457,520	\$ -	\$ 440,743,944	\$ -	\$ 440,743,944
<u>-</u>	<u>-</u>	<u>(784,022)</u>	<u>-</u>	<u>-</u>	<u>(48,552,870)</u>	<u>-</u>	<u>(48,552,870)</u>
-	-	12,047,640	3,457,520	-	392,191,074	-	392,191,074
<u>3,693,138</u>	<u>5,027,326</u>	<u>2,527,517</u>	<u>159,062</u>	<u>1,602,066</u>	<u>31,707,111</u>	<u>(9,559,366)</u>	<u>22,147,745</u>
<u>3,693,138</u>	<u>5,027,326</u>	<u>14,575,157</u>	<u>3,616,582</u>	<u>1,602,066</u>	<u>423,898,185</u>	<u>(9,559,366)</u>	<u>414,338,819</u>
122,361	2,962,890	3,798,442	1,604,231	-	157,969,010	-	157,969,010
19,569	257,404	714,994	443,115	-	36,430,925	-	36,430,925
21,421	2,282	5,038,220	496,828	166,429	23,354,092	(4,797,170)	18,556,922
3,094	52,582	171,068	122,490	-	104,869,847	-	104,869,847
252,283	1,708	244,978	82,332	-	25,338,579	(912,902)	24,425,677
4,817	21,104	36,796	-	1,577,738	4,655,536	(1,602,066)	3,053,470
330,719	113,934	1,222,600	-	-	8,888,518	-	8,888,518
1,209,567	21,166	1,115,166	127,220	-	21,719,203	-	21,719,203
<u>1,724,224</u>	<u>150,723</u>	<u>2,457,726</u>	<u>396,145</u>	<u>4,495</u>	<u>29,152,056</u>	<u>(2,247,228)</u>	<u>26,904,828</u>
<u>3,688,055</u>	<u>3,583,793</u>	<u>14,799,990</u>	<u>3,272,361</u>	<u>1,748,662</u>	<u>412,377,766</u>	<u>(9,559,366)</u>	<u>402,818,400</u>
<u>5,083</u>	<u>1,443,533</u>	<u>(224,833)</u>	<u>344,221</u>	<u>(146,596)</u>	<u>11,520,419</u>	<u>-</u>	<u>11,520,419</u>
285,371	-	-	-	(292,213)	(2,567,607)	-	(2,567,607)
181,718	-	-	-	-	1,737,841	-	1,737,841
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,690,653</u>	<u>(10,690,653)</u>	<u>-</u>
<u>467,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(292,213)</u>	<u>9,860,887</u>	<u>(10,690,653)</u>	<u>(829,766)</u>
\$ 472,172	\$ 1,443,533	\$ (224,833)	\$ 344,221	\$ (438,809)	\$ 21,381,306	\$ (10,690,653)	\$ 10,690,653

See accompanying independent auditor's report on combining information

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINING STATEMENTS OF CASH FLOWS

June 30, 2012

	St Joseph's Candler Health System	Candler Hospital	St Joseph's Hospital	SJC Home Health	SJC Medical Group
Cash flows from operating activities					
Increase (decrease) in net assets	\$ 8,943,175	\$ 12,084,229	\$ 5,735,241	\$(388,388)	\$ 211,557
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities					
Change in fair value of derivative instruments	(219,598)	3,105,209	1,612,008	-	-
Beneficial interest in net assets of Foundations, net	-	(191,153)	63,070	-	-
Net realized and unrealized gains on investments other than trading securities	1,203,135	-	-	-	30,270
Depreciation and amortization	-	12,236,855	7,877,657	102,539	341,443
Contributions for property	-	(262,056)	(8,947)	-	-
Changes in					
Patient accounts receivable		(4,472,560)	(4,250,010)	50,383	(413,872)
Other receivables	(455,527)	(1,047,426)	122,380	312,370	(86,173)
Inventories	-	(242,613)	(84,467)	-	-
Prepaid expenses	(1,268,279)	(107,714)	13,646	781	(2,028)
Accounts payable	2,448,009	1,838,377	3,368,440	(31,900)	79,761
Accrued liabilities	1,921,883	460,086	(740,952)	62,231	89,745
Estimated third-party payor settlements	-	782,293	3,994,889	(27,041)	10,365
Accrued self-insurance claims	1,354,306	-	-	-	-
Accrued pension costs	5,680,864	-	-	-	-
Deferred compensation payable	-	5,598	(60,949)	-	316,607
Net cash provided by (used in) operating activities	<u>19,607,968</u>	<u>24,189,125</u>	<u>17,642,006</u>	<u>80,975</u>	<u>577,675</u>

<u>SIC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ 1,219,406	\$ 498,935	\$ -	\$(211,381)	\$ 337,667	\$ 28,430,441	\$(19,487,266)	\$ 8,943,175
(53,137)	-	-	-	-	4,444,482	-	4,444,482
-	-	-	-	-	(128,083)	-	(128,083)
-	-	-	-	3,557	1,236,962	-	1,236,962
624,900	10,882	-	126,082	-	21,320,358	-	21,320,358
-	-	-	-	-	(271,003)	-	(271,003)
-	-	-	32,797	-	(9,053,262)	-	(9,053,262)
37,407	21,903	-	7,257	-	(1,087,809)	-	(1,087,809)
-	5,756	-	-	-	(321,324)	-	(321,324)
(1,438)	-	-	-	(12,600)	(1,377,632)	-	(1,377,632)
(8,700)	(22,454)	-	51,148	76,952	7,799,633	-	7,799,633
(63,889)	(538,987)	-	31,380	11,299	1,232,796	-	1,232,796
-	-	-	-	-	4,760,506	-	4,760,506
-	-	-	-	151,027	1,505,333	-	1,505,333
-	-	-	-	-	5,680,864	-	5,680,864
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,256</u>	<u>-</u>	<u>261,256</u>
<u>1,754,549</u>	<u>(23,965)</u>	<u>-</u>	<u>37,283</u>	<u>567,902</u>	<u>64,433,518</u>	<u>(19,487,266)</u>	<u>44,946,252</u>

Continued

ST. JOSEPH ST. CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS - Continued
June 30, 2012

	St. Joseph's Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Cash flows from investing activities:					
Purchases of property and equipment	\$ (564,256)	\$ (1,700,690)	\$ (4,819,679)	\$ (164,047)	\$ (104,905)
Proceeds from sale of assets limited as to use	114,824,689	1,560,750	814,500	-	1,722
Purchases of assets limited as to use	(117,916,576)	(785,889)	(346,258)	-	(490,062)
Payments on interest rate swap	(1,740,000)	-	-	-	-
Investment in affiliates	(19,487,266)	-	-	-	-
Sales (purchases) of long term investments, net	(5,000)	(132,926)	(2)	400	(20,000)
Net cash provided by (used in) investing activities	(24,888,409)	(2,058,755)	(4,351,439)	(163,647)	(613,245)
Cash flows from financing activities:					
Repayment of long term debt	(971,447)	(86,521,240)	(17,981,169)	-	-
Proceeds from issuance of long term debt	-	78,715,535	16,289,465	-	-
Contributions for property	-	262,056	8,947	-	-
Transfers of property	(14,602)	37,532	-	-	-
Transfers to (from) affiliates, net	16,173,867	(4,627,527)	(11,607,810)	-	-
Net cash provided by (used in) financing activities	15,187,818	(12,133,611)	(13,290,567)	-	-
Net increase (decrease) in cash and cash equivalents	9,907,377	(3,271)	-	(82,672)	(35,570)
Cash and cash equivalents beginning of year	19,957,821	48,847	7,297	139,647	119,255
Cash and cash equivalents, end of year	\$ 29,865,198	\$ 45,573	\$ 7,297	\$ 56,975	\$ 83,685

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ 210,460)	\$ -	\$ -	\$(2)	\$ -	\$(17,564,039)	\$ -	\$(17,564,039)
2,332,459	-	-	-	14,471,263	164,005,383	-	164,005,383
(2,444,534)	-	-	-	(43,529,106)	(165,512,425)	-	(165,512,425)
-	-	-	-	-	(1,740,000)	-	(1,740,000)
-	-	-	-	-	(19,487,266)	19,487,266	-
(1,765)	-	-	-	-	(1,159,293)	-	(1,159,293)
(324,300)	-	-	(2)	942,157	(41,457,640)	19,487,266	(21,970,374)
(1,407,319)	-	-	-	-	(106,881,175)	-	(106,881,175)
-	-	-	-	-	95,005,000	-	95,005,000
-	-	-	-	-	271,003	-	271,003
(22,930)	-	-	-	-	-	-	-
-	-	-	-	61,470	-	-	-
(1,430,249)	-	-	-	61,470	(11,605,172)	-	(11,605,172)
-	(23,965)	-	37,281	1,571,529	11,370,706	-	11,370,706
-	27,791	-	439,176	726,145	21,465,979	-	21,465,979
\$ -	\$ 3,826	\$ -	\$ 476,457	\$ 2,297,674	\$ 32,836,685	\$ -	\$ 32,836,685

See accompanying independent auditors' report on combining information

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS

June 30, 2011

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Cash flows from operating activities					
Increase (decrease) in net assets	\$ 10,892,728	\$ 17,924,719	\$ 7,065,079	\$ 19,167	\$ 13,128
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Change in fair value of derivative instruments	(515,402)	(685,222)	(355,499)	-	-
Beneficial interest in net assets of Foundations, net	-	(158,672)	613,349	-	-
Net realized and unrealized gains on investments other than trading securities	(1,288,717)	-	-	-	(387,489)
Initial implementation of FASB ASC 350 – goodwill impairment	-	-	-	-	-
Depreciation and amortization	-	9,899,238	8,901,006	96,232	349,608
Contributions for property	(974,856)	(347,800)	-	-	-
Changes in:					
Patient accounts receivable	-	(1,356,751)	(199,078)	48,005	(13,632)
Other receivables	10,999	(1,069,977)	(103,885)	(312,370)	(38,352)
Inventories	-	(209,977)	(965,268)	-	-
Prepaid expenses	1,011,992	10,597	(145,842)	30,967	90,891
Accounts payable	(343,855)	664,502	(1,510,152)	65,202	52,728
Accrued liabilities	(635,937)	641,213	(237,489)	(29,492)	(77,971)
Estimated third party payor settlements	-	(880,158)	(193,164)	-	(1,920)
Accrued self-insurance claims	(197,680)	-	-	-	-
Accrued pension costs	(4,312,389)	-	-	-	-
Deferred compensation payable	-	68,503	464,350	-	400,000
Net cash provided by (used in) operating activities	<u>3,646,883</u>	<u>24,500,215</u>	<u>13,333,407</u>	<u>(82,289)</u>	<u>386,991</u>

<u>SJC Properties</u>	<u>SJC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Infirmary</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ (16,651,831)	\$(5,577,420)	\$(2,768,841)	\$ (52,076)	\$ 647,740	\$ 11,512,393	\$(619,667)	\$ 10,892,726
(181,718)	-	-	-	-	(1,737,841)	-	(1,737,841)
-	-	-	-	-	454,677	-	454,677
-	-	-	-	(314,401)	(1,990,607)	-	(1,990,607)
-	5,200,000	6,458,145	-	-	11,658,145	-	11,658,145
1,209,567	21,166	1,115,166	127,220	-	21,719,203	-	21,719,203
-	-	(220,000)	-	-	(1,542,656)	-	(1,542,656)
-	-	402,254	(27,266)	-	(1,146,468)	-	(1,146,468)
71,085	(8,866)	(142,017)	5,149	-	(1,588,234)	-	(1,588,234)
-	(720)	-	-	-	(1,175,965)	-	(1,175,965)
32,855	6,292	62,089	1,376	6,705	1,107,922	-	1,107,922
(60,086)	(41,155)	127,086	15,371	31,055	(999,304)	-	(999,304)
(28,514)	382,420	180,492	(9,791)	8,970	193,901	-	193,901
-	-	-	-	-	(1,075,242)	-	(1,075,242)
-	-	-	-	381,282	183,602	-	183,602
-	-	-	-	-	(4,312,389)	-	(4,312,389)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>932,853</u>	<u>-</u>	<u>932,853</u>
<u>(15,608,642)</u>	<u>(18,283)</u>	<u>5,214,374</u>	<u>59,983</u>	<u>761,351</u>	<u>32,193,990</u>	<u>(619,667)</u>	<u>31,574,323</u>

Continued

ST JOSEPH'S/CANDLER HEALTH SYSTEM, INC

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2011

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Cash flows from investing activities					
Purchases of property and equipment	\$ 371,603	\$(8,764,898)	\$(5,434,515)	\$(46,275)	\$(56,538)
Proceeds from sale of assets limited as to use	52,034,587	25,109,413	12,903,631	-	1,520
Purchases of assets limited as to use	(45,633,213)	(21,833,742)	(11,663,123)	-	(363,228)
Proceeds from pledged collateral for swaps	1,740,000	-	-	-	-
Payments on interest rate swap	-	(6,602,370)	(3,420,460)	-	-
Investment in affiliates	(619,667)	-	-	-	-
Sales of long-term investments, net	<u>-</u>	<u>109,287</u>	<u>1</u>	<u>-</u>	<u>12,991</u>
Net cash provided by (used in) investing activities	<u>7,893,310</u>	<u>(11,982,310)</u>	<u>(7,614,466)</u>	<u>(46,275)</u>	<u>(405,255)</u>
Cash flows from financing activities					
Repayment of long-term debt	(941,448)	(23,671,524)	(12,152,164)	-	-
Proceeds from issuance of long-term debt	-	18,252,500	9,387,500	-	-
Contributions for property	974,856	347,800	-	-	-
Transfers of property	13,731	(15,474,518)	(1,336,826)	-	-
Transfers from (to) affiliates, net	<u>(6,297,397)</u>	<u>8,027,889</u>	<u>(1,617,102)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(6,250,258)</u>	<u>(12,517,853)</u>	<u>(5,718,892)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	5,289,935	52	49	(128,564)	(18,264)
Cash and cash equivalents, beginning of year	14,667,886	<u>4,496</u>	7,248	268,211	<u>137,519</u>
Cash and cash equivalents, end of year	\$ <u>19,957,821</u>	\$ <u>4,548</u>	\$ <u>7,297</u>	\$ <u>139,647</u>	\$ <u>119,255</u>

<u>SIC Properties</u>	<u>SIC Health Services</u>	<u>Cancer Care Pavilion</u>	<u>Georgia Intimacy</u>	<u>Geechee Reinsurance</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ 154,439	\$ -	\$(1,990,915)	\$ -	\$ -	\$(15,767,099)	\$ -	\$ 15,767,099)
2,333,884	-	-	-	19,965,620	112,348,655	-	112,348,655
(2,363,201)	-	-	-	(20,430,909)	(102,287,416)	-	(102,287,416)
-	-	-	-	-	1,740,000	-	1,740,000
-	-	-	-	-	(10,022,830)	-	(10,022,830)
-	-	-	-	-	(619,667)	619,667	-
<u>3,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,504</u>	<u>-</u>	<u>125,504</u>
<u>128,347</u>	<u>-</u>	<u>(1,990,915)</u>	<u>-</u>	<u>(465,289)</u>	<u>(14,482,853)</u>	<u>619,667</u>	<u>(13,863,186)</u>
(1,317,318)	-	(6,000,000)	-	-	(44,082,754)	-	(44,082,754)
-	-	-	-	-	27,640,000	-	27,640,000
-	-	220,000	-	-	1,542,656	-	1,542,656
16,797,613	-	-	-	-	-	-	-
<u>-</u>	<u>(2,556)</u>	<u>2,556</u>	<u>-</u>	<u>(113,390)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>15,480,295</u>	<u>(2,556)</u>	<u>(5,777,444)</u>	<u>-</u>	<u>(113,390)</u>	<u>(14,900,098)</u>	<u>-</u>	<u>(14,900,098)</u>
-	(20,839)	(2,553,985)	59,983	182,672	2,811,039	-	2,811,039
<u>-</u>	<u>48,630</u>	<u>2,598,284</u>	<u>379,193</u>	<u>543,473</u>	<u>18,654,940</u>	<u>-</u>	<u>18,654,940</u>
\$ <u>-</u>	\$ <u>27,791</u>	\$ <u>41,299</u>	\$ <u>439,176</u>	\$ <u>726,145</u>	\$ <u>21,465,979</u>	\$ <u>-</u>	\$ <u>21,465,979</u>

See accompanying independent auditors' report on combining information

Additional Data

Software ID:

Software Version:

EIN: 58-0593388

Name: CANDLER HOSPITAL INC

Form 990, Special Condition Description:

Special Condition Description

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(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			
PAUL P HINCHEY PRESIDENT &	20 00	X		X				388,700	388,701	345,543
ROBERT H DEMERE JR CHAIRMAN	1 00	X		X				0	0	0
WILLIAM E JOHNSTON VICE CHAIR	1 00	X		X				0	0	0
SR HELEN AMOS RSM TRUSTEE	1 00	X						0	0	0
JAMES BASS TRUSTEE	1 00	X						0	0	0
FRANK BROWN TRUSTEE	1 00	X						0	0	0
DAVID V CAPALLO MD TRUSTEE	1 00	X						0	0	0
ROBERT E JAMES TRUSTEE	1 00	X						0	0	0
EMILY KEHOE TRUSTEE	1 00	X						0	0	0
WALTER N LEWIS TRUSTEE	1 00	X						0	0	0
SALLY LUFBURROW TRUSTEE	1 00	X						0	0	0
J CLIFF MCCURRY TRUSTEE	1 00	X						0	0	0
SR MARY KAREN MCNALLY RSM TRUSTEE	1 00	X						0	0	0
JAMES ALLEN MEADOWS III MD TRUSTEE	1 00	X						0	0	0
HENRY MINIS TRUSTEE	1 00	X						0	0	0
O GEORGE NEGREA MD TRUSTEE	1 00	X						0	0	0
JOHN WODOM MD TRUSTEE	1 00	X						0	0	0
REGINALD ROBINSON MD TRUSTEE	1 00	X						0	0	0
SR MARY JUDE WALSH RSM TRUSTEE	1 00	X						0	0	0
GREGORY J SCHAACK CFO	20 00			X				229,654	229,655	44,731
KYLE MCCANN COO	20 00			X				69,695	69,696	2,480
SHERRY A DANELLO VP	20 00				X			165,539	165,540	60,716
JAMES I SCOTT MD VP	20 00				X			138,138	138,139	42,388
PETER M SCHENK VP	20 00				X			135,618	135,619	57,899
GEORGE H EVANS VP	20 00				X			135,563	135,564	33,716

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(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			
WILLIAM M CARR VP	20 00				X			119,391	119,391	31,162
VIVIAN M AUSTIN VP	20 00				X			94,904	94,904	32,072
JOHN PABLO DIRECTOR ONC	40 00					X		726,379	0	21,660
HOWARD A ZAREN DIRECTOR ONC	40 00					X		564,424	0	23,042
MARK S QUINN RADIATION ON	40 00					X		518,068	0	9,921
LORRAINE A GORDON RADIATION ON	40 00					X		501,031	0	12,708
KEVIN D KELLY SR MEDICAL	40 00					X		271,108	0	19,567