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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Sacred Heart Health System Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
5151 North 9th Avenue

City or town, state or country, and ZIP + 4
Pensacola, FL 325048721

D Employer identification number
59-0634434

E Telephone number
(850)416-7000

G Gross receipts $ 791,513,174

F Name and address of principal officer
Buddy Elmore
5151 North 9th Avenue
Pensacola, FL 325048721

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ www sacred-heart org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1915 | **M** State of legal domicile FL

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provides necessary medical care to the sick and poor regardless of the ability to pay

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	5,272
6	Total number of volunteers (estimate if necessary)	**6**	10
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	2,922,160
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	574,751

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	899,670	5,149,555
	9 Program service revenue (Part VIII, line 2g)	820,615,999	652,932,176
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	16,287,126	10,035,505
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	8,863,002	120,399,779
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	846,665,797	788,517,015
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	312,479,890	314,253,080
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	491,640,178	421,380,717
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	804,120,068	735,633,797
	19 Revenue less expenses Subtract line 18 from line 12	42,545,729	52,883,218

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	687,010,824	802,343,747
	21 Total liabilities (Part X, line 26)	253,596,956	353,416,041
	22 Net assets or fund balances Subtract line 21 from line 20	433,413,868	448,927,706

Part II Signature Block

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

Sign Here

▶ Signature of officer — 2013-05-15 Date

▶ Buddy Elmore CFO/ Executive VP
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ Matthew Montgomery | Date | Check if self-employed ▶☐ | Preparer's taxpayer identification number (see instructions) P00492843

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ Deloitte Tax LLP
250 East Fifth Street Suite 1900
Cincinnati, OH 45202

EIN ▶ 86-1065772

Phone no ▶ (513) 784-7100

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Sacred Heart Hospital provides necessary medical care to the sick and poor of our community regardless of the ability to pay Services include inpatient routine and inpatient ancillary support of the healthcare mission of the hospital Please see the statement of Program Service Accomplishments for further detail on the relationship of activities to the accomplishment of the exempt purpose

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 $ 585,726,911 including grants of $) (Revenue $ 751,483,641)

Patient Services - 466 bed medical-surgical acute care hospital in Pensacola, Florida The facility includes a 119 bed Children's Hospital Sacred Heart Hospital on the Emerald Coast is a 58 bed medical-surgical hospital located in Destin, FL Sacred Heart Hospital on the Gulf is a 25 bed medical-surgical hospital located in Port St Joe, FL Expanding awareness, education and promotion of health by offering healthcare, classes and seminars for the Community

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

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

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

Medical Education - Sacred Heart Health System believes that, in order to provide the best health care to the community, its clinical personnel must receive ongoing medical education

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 585,726,911

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

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

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

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	350		
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, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	5,272		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**	0			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

Buddy Elmore
5151 N 9th Ave
Pensacola, FL 32504
(850) 416-7000

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Eric Nickelsen Chairman	1 00	X		X				0	0	0
(2) Dudley H Greenhut Vice-Chair	1 00	X		X				0	0	0
(3) Sr Joan Keating DC Member	1 00	X						0	0	0
(4) Sr Ellen Lacapria Member	1 00	X						0	0	0
(5) Carol H Carlan Member	1 00	X						0	0	0
(6) Sr Mary Jean Doyle Member	1 00	X						0	0	0
(7) Gerald J Christie Member	1 00	X						0	0	0
(8) Nancy A Fetterman Member	1 00	X						0	0	0
(9) Richard R Baker Member	1 00	X						0	0	0
(10) Adelaida B Torres MD Member	1 00	X						0	0	0
(11) Ronald P Townsend Member	1 00	X						0	0	0
(12) Antonio E Pena MD Member	1 00	X						0	0	0
(13) Buddy Elmore Sch O EVP and CFO	40 00			X				856,448	0	53,023
(14) Carol Schmidt COO & President (SHHP)	40 00			X				665,030	0	50,426
(15) Carol Whittington VP of Human Resources	40 00			X				434,943	0	29,611
(16) James Ward MD Chief Medical Officer	40 00			X				454,986	0	27,582
(17) Karen Emmanuel Sch O General Counsel	40 00				X			422,982	0	44,353

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Roger Hall President - SHHEC & SHHG	40 00				X			440,097	0	51,776
(19) Peter Heckathorn Sch O EVP SHMG	40 00				X			660,305	0	51,763
(20) Michael Brown MD Director of Medical Affairs	40 00				X			417,451	0	50,927
(21) Dr Thomas Sunnenberg Physician	40 00					X		1,141,270	0	51,779
(22) Dr Michael Goodman Physician	40 00					X		1,835,225	0	39,270
(23) Dr Harish Malhotra Physician	40 00					X		1,018,074	0	9,502
(24) Dr Tarek Eldawy Physician	40 00					X		906,741	0	43,993
(25) Dr William Dobak Physician	40 00					X		1,011,148	0	48,086
(26) Laura Kaiser Sch O Former CEO & COO (SHHS)	40 00						X	1,534,142	0	51,150
(27) Patrick Madden Former CEO & COO (SHHS)	40 00						X	945,926	0	24,675
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								12,744,768	0	627,916

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 262

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Sodexo Inc PO Box 536922 Atlanta, GA 303536922	Food Service	10,269,431
Trimedx PO Box 1627 Indianapolis, IN 46206	Equipment Maintenance	7,554,999
Panhandle Anesthesiology Associates PA 4901 Grande Drive Pensacola, FL 32504	Anesthesiology Service	5,881,665
Touchpoint Support Services PO Box 102289 Atlanta, GA 303682289	Food/Environmental Service	4,356,332
Freeman White Inc 8845 Red Oak Blvd Charlotte, NC 28217	Architectural Engineering	2,353,113

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 ▶ 102

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	4,865,874			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	283,681			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		5,149,555			
Program Service Revenue			Business Code				
	2a	Outpatient Services	621990	347,737,180	344,815,854	2,921,326	
	b	Inpatient Services	621990	281,931,930	281,931,930		
	c	Management Services	541610	22,168,031	22,168,031		
	d	Medical Transportation	480000	1,053,912	1,053,912		
	e	Education	611710	41,123	41,123		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		652,932,176			
	3	Investment income (including dividends, interest and other similar amounts)		10,035,505			10,035,505
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	3,739,395				
	b	Less rental expenses	2,996,159				
	c	Rental income or (loss)	743,236				
	d	Net rental income or (loss)		743,236	730,288		12,948
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss)					
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	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	MSO Shared Allocation	621990	96,053,270	96,053,270		
	b	Pension Curtailment	621990	18,913,206			18,913,206
	c	E H R Incentive	900099	3,019,801	3,019,801		
	d	All other revenue		1,670,266	1,669,432	834	
	e	**Total.** Add lines 11a–11d		119,656,543			
	12	**Total revenue.** See Instructions		788,517,015	751,483,641	2,922,160	28,961,659

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	4,268,350		4,268,350	
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	250,622,055	214,253,427	36,368,628	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	6,953,083	2,492,797	4,460,286	
9	Other employee benefits	35,942,264	30,730,636	5,211,628	
10	Payroll taxes	16,467,328	13,598,027	2,869,301	
11	Fees for services (non-employees)				
a	Management	6,568,562	2,301,449	4,267,113	
b	Legal	1,209,752	944	1,208,808	
c	Accounting				
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	45,983,734	1,816,891	44,166,843	
12	Advertising and promotion	1,484,503	93,247	1,391,256	
13	Office expenses	1,917,760	1,274,079	643,681	
14	Information technology				
15	Royalties . .				
16	Occupancy	24,815,735	13,578,784	11,236,951	
17	Travel	1,653,475	804,958	848,517	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	875,353	345,426	529,927	
20	Interest	4,109,784		4,109,784	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	19,141,569	13,986,164	5,155,405	
23	Insurance	2,735,805	2,735,805		
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	129,184,007	129,184,007		0
b	MSO Allocation	94,865,365	94,865,365		0
c	Professional fees	31,232,199	11,215,676	20,016,523	0
d	Rental	30,195,551	30,195,551	0	0
e					
f	All other expenses	25,407,563	22,253,678	3,153,885	
25	**Total functional expenses.** Add lines 1 through 24f	735,633,797	585,726,911	149,906,886	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		1	
	2	Savings and temporary cash investments	37,957,554	2	24,144,490
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	108,467,851	4	122,062,096
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L	100,000	5	100,000
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		6	0
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use	14,910,167	8	15,753,876
	9	Prepaid expenses and deferred charges		9	6,418,338
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 585,250,070			
	b	Less accumulated depreciation — 10b: 321,029,662	273,593,161	10c	264,220,408
	11	Investments—publicly traded securities		11	
	12	Investments—other securities See Part IV, line 11		12	
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets	4,380,199	14	5,719,947
	15	Other assets See Part IV, line 11	247,601,892	15	363,924,592
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	687,010,824	16	802,343,747
Liabilities	17	Accounts payable and accrued expenses	56,945,832	17	46,536,397
	18	Grants payable		18	
	19	Deferred revenue	4,064,250	19	2,427,158
	20	Tax-exempt bond liabilities		20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	192,586,874	25	304,452,486
	26	**Total liabilities.** Add lines 17 through 25	253,596,956	26	353,416,041
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	432,756,236	27	447,228,932
	28	Temporarily restricted net assets	657,632	28	1,698,774
	29	Permanently restricted net assets		29	0
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	433,413,868	33	448,927,706
	34	Total liabilities and net assets/fund balances	687,010,824	34	802,343,747

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	788,517,015
2	Total expenses (must equal Part IX, column (A), line 25)	2	735,633,797
3	Revenue less expenses Subtract line 2 from line 1	3	52,883,218
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	433,413,868
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-37,369,379
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	448,927,706

Part XII Financial Statements and Reporting

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

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

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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
Sacred Heart Health System Inc

Employer identification number
59-0634434

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Sacred Heart Health System Inc	59-0634434

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?	Yes		1,788
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		39,086
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		231,989
j	Total lines 1c through 1i			272,863
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures **(do not include amounts of political expenses for which the section 527(f) tax was paid).**		
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
Explanation of Lobbying Activities	Part II-B, Line 1	Sacred Heart Health System does not participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office The Exempt Organization engaged consultants to assist in various lobbying activities pertaining to state and federal health care legislation, including healthcare reform Staff and consultants wrote letters and met personally with state and local legislators on these matters

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	6,745,708	48,039,358		54,785,066
b Buildings	21,486,145	342,961,525	189,666,040	174,781,630
c Leasehold improvements				
d Equipment		166,017,334	131,363,622	34,653,712
e Other				
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				264,220,408

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

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

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

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

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

(a) Description	(b) Book value
(1) Board Designated Investments	145,791,055
(2) Due from affiliates	119,327,899
(3) Investment in Unconsolidated Entities	38,276,677
(4) Construction in Progress	18,293,877
(5) Ascension Pension Prefunding	13,113,761
(6) Ascension Deferred Compensation	11,105,703
(7) Temporarily Restricted Investments	9,321,482
(8) Other Misc Assets	8,694,138
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	363,924,592

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Due to Affiliates	124,117,947
Pension Debt Issue	116,623,081
Retirement Plan Obligation	16,629,212
MOB Liability Accounting Ownership	12,040,370
Deferred Compensation	11,105,703
Other Liabilities	7,702,391
Third Party Payables	7,276,637
AR Credit Balances	5,268,092
Self Insurance Trust	3,689,053
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	304,452,486

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 59-0634434
Name: Sacred Heart Health System Inc

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

(a) Description	**(b)** Book value
Board Designated Investments	145,791,055
Due from affiliates	119,327,899
Investment in Unconsolidated Entities	38,276,677
Construction in Progress	18,293,877
Ascension Pension Prefunding	13,113,761
Ascension Deferred Compensation	11,105,703
Temporarily Restricted Investments	9,321,482
Other Misc Assets	8,694,138

Form 990, Schedule D, Part X, - Other Liabilities

1 **(a)** Description of Liability	**(b)** Amount
Due to Affiliates	124,117,947
Pension Debt Issue	116,623,081
Retirement Plan Obligation	16,629,212
MOB Liability Accounting Ownership	12,040,370
Deferred Compensation	11,105,703
Other Liabilities	7,702,391
Third Party Payables	7,276,637
AR Credit Balances	5,268,092
Self Insurance Trust	3,689,053

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	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 eligibile for free or discounted care?	5c	Yes	
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b		No
	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)			17,323,466		17,323,466	2 690 %
b Medicaid (from Worksheet 3, column a)			106,525,344	87,350,906	19,174,438	3 890 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						0 %
d **Total** Charity Care and Means-Tested Government Programs			123,848,810	87,350,906	36,497,904	6 580 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			9,662,288	4,420,614	5,241,674	0 690 %
f Health professions education (from Worksheet 5)			1,028,564		1,028,564	0 140 %
g Subsidized health services (from Worksheet 6)						0 %
h Research (from Worksheet 7)			28,952	28,952		0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			174,514		174,514	0 020 %
j **Total** Other Benefits			10,894,318	4,449,566	6,444,752	0 850 %
k **Total.** Add lines 7d and 7j			134,743,128	91,800,472	42,942,656	7 430 %

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

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense	2	83,943,804		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	7,382,994		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	141,873,746		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	143,545,815		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-1,672,069		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 3

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Sacred Heart Hospital 5151 N 9th Ave Pensacola, FL 32504	X	X	X	X		X	X		
2	Sacred Heart on the Emerald Coast 7800 US Hwy 98 Miramar Beach, FL 32550	X	X					X		
3	Sacred Heart Hospital on the Gulf 3801 E Hwy 98 Port St Joe, FL 32456	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

NA

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	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☐ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

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

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The Bad Debt Expense included on Form 990, Part IX, Line 25, Column (a), but substracted for purposes of calculating the percentage in this column is $338,037

Identifier	ReturnReference	Explanation
		Part III, Line 4 The provision for bad debts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Management periodically assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Health Ministry follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restriction on collection efforts as determined by Ascension Health Accounts receivable are written off after collection efforts have been followed in accordance with the Health Ministry's policies The cost to charge ratio was used to determine the bad debt expense at cost Bad debt expense at cost attributed to patients eligible under the organization's charity policy was calculated by using US Census data to determine the percentage of the population below 200% of the Federal Poverty level and applied that percentage to bad debt expense at cost as an estimate of charity in bad debt

Identifier	ReturnReference	Explanation
		Part III, Line 8 Ascension Health and related health ministries follow the Catholic Health Association (CHA) guidelines for determining community benefit CHA community benefit reporting guidelines suggest that Medicare shortfall in not treated as community benefit The cost to charge ratio method is used in determining the shortfall

Identifier	ReturnReference	Explanation
		Part V Sacred Heart Hospital, 5151 N 9th Ave , Pensacola, FL 32514 - licensed hospital, general medical and surgical, children's hospital, teaching hospital, research facility, 24 hour emergency department Sacred Heart Hospital on the Emerald Coast, 7800 US Hwy 98, Miramar Beach, FL 32550 - licensed hospital, general medical and surgical, 24 hour emergency department Sacred Heart Hospital on the Gulf, 3801 E Hwy 98, Port St Joe, FL 32456 - licensed hospital, general medical and surgical, 24 hours emergency department

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Sacred Heart Health System and Baptist Health Care have jointly-sponsored four assessments of Escambia and Santa Rosa Counties in Northwest Florida since 1995 This collaborative is named The Partnership for a Healthy Community The studies have been widely used by the two organizations and many other health care providers in the market area to develop plans for addressing priority health needs In 2011, the Partnership along with Escambia Community Clinics entered into an agreement with Drs Studnicki and Fisher to develop Florida HealthTrac to advance the timelines and functionality of the community needs assessment process Florida HealthTrac studies provide current and trended data on 234 health indicators for Escambia County and 233 for Santa Rosa, report data at county and zip codes levels, and include comparisons to peer counties in the state, and state and national results The studies also incorporate key demographic and socioeconomic data, and data on lifestyle/behavioral risk factors that impact health status This new assessment tool will enable Sacred Heart Health System the ability to track community health needs on an annual basis as the data from the State of Florida is updated in real time Sacred Heart Health System initiated in 2007, a study by Stroudwater Associates to determine the health needs for Walton County Walton County is designated as a primary care Health Professional Shortage Population and a Medically Underserved Population for the low-income persons

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Financial counselors assist individuals who do not have insurance to qualify for Medicaid, SCHIP, and other programs Counselors are trained not only in the policy, program and form processes, but also to respond with compassion, understanding and sensitivity toward persons living in poverty These services are available at established patient encounters such as pre-registration, registration, admissions and discharge, or at any other time requested along the continuum of patient care Further, trained counselors may assist with charity care or discount care based on the patient's personal income, their assets, and the size of their medical services bill A summary of financial assistance services, policies and programs are found on the health system website, posted predominately in key areas and made available through brochures The brochure, A Guide to your Hospital Bill, outlines payment and assistance options and it can be found in most areas of the hospital including admitting, emergency department, and diagnostic services

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Sacred Heart Health System provides primary, secondary, and tertiary health care services to residents of the communities we serve This includes the greater Pensacola MSA, and Okaloosa, Walton, Gulf and Franklin Counties Additionally, Sacred Heart serves South Alabama's Baldwin and Escambia Counties There is special emphasis on service to the poor and those most in need The system includes a 458 bed medical surgical acute care hospital in Pensacola, Florida Housed within the Pensacola facility is the 119 bed Children's Hospital, the only one in Northwest Florida Sacred Heart Hospital on the Emerald Coast is a 58 bed medical surgical hospital located in Miramar Beach, Florida Sacred Heart Hospital of the Gulf is a 25 bed medical surgical hospital located in Port St Joe, FL

Identifier	ReturnReference	Explanation
		Part VI, Line 5 Physical Improvements & Housing SHHS contributed financially to the cons truction of Habitat for Humanity homes SHHS held six housing orientation sessions which w ere attended by 37 persons living in poverty Applications were received from 27 persons a nd 18 were qualified for homes SHHS participated with a coalition developing low-income h ousing solutions, and provided physical improvements to the dwellings of low-income homeow ners Workforce Development SHHS provided Certified Nursing Assistant training and job pl acement at SHHS facilities for seven individuals from the community at large Sacred Heart offers (free six week long classes, seven times per year) Freedom from Smoking program to help with the physical, psychological and habitual components of nicotine addictions Add itionally, health education for the community is provided with regular classes on topics s uch as stress management, violence prevention, diabetes management, babysitting, CPR, newb orn parenting, preparing for joint replacement surgery, surviving after stroke, caregiver training, and coping with cancer SHHS provides a robust school mentoring program in partn ership with the Escambia and Santa Rosa School Districts Thirteen children were provided mentoring on a weekly basis A particular emphasis is placed on annual science fairs, read ing, math and preparation for state standardized testing Eighty children benefited from t utoring on an episodic basis SHHS actively works to reduce its waste stream by recycling c ardboard, office paper, tin, aluminum, and plastics The system also promotes utilizing le ss electricity which reduces emissions caused by electrical power generation SHHS receive d an award in 2011 from the Emerald Coast Utility Authority for environmental stewardship Sacred Heart Hospital provides medical education through the following residency programs FSU college of Medicine Pediatric Residency (21 physicians), FSU College of Medicine OB/ GYN Residency (12 physicians), LECOM Internal Medicine Residency (9 physicians), and Sacre d Heart Hospital Pharmacy Residency (adult and pediatric) Sacred Heart also partners with the following medical education institutions to provide onsite training for their students in health related fields Florida State University College of Medicine, University of Wes t Florida, Pensacola State College, Virginia Medical College, Jefferson Davis Community Co llege, Pensacola Christian College, and Escambia County School District Health Academy Coa lition Building SHHS participates with other community building agencies such as Bay Are a Works, Poverty Solutions of Escambia County, Business Leaders network and the Able Trust , United Way, Catholic Charities, and the Pensacola Bay Are Chamber of Commerce for jobs c reation, training, and the elimination of generational poverty Through Mission in Motion, a mobile health unit that travels throughout Northwest Florida and Southwest Alabama, Sacr ed Heart provided free health screenings to the poor, elderly, and uninsured Services for adults include screening for blood pressure, anemia, blood sugar, cholesterol, glaucoma, and osteoporosis screenings A total of 2744 adults received health screenings Services f or children include free physical exams by a physician, and screenings for hearing, vision , and blood pressure A total of 610 children were screened At Spencer Bibbs Elementary S chool, an urban site of at-risk children, asthma screening services were provided for 200 children Twenty children were referred to the Escambia County Health Department for follo w up care Sacred Heart facilitates the meetings of support groups for patients and familie s coping with the following health problems obesity, breast cancer, cancer, prostate canc er, children with attention deficit disorders, heart disease, parents of multiples, and os teoporosis On a monthly basis, Sacred Heart held community blood drives at a variety of S acred Heart locations to support the Northwest Florida Blood Center Sacred Heart's Miracl e Camp hosted overnight, multi-day camping retreats for adults and children who have been diagnosed with chronic and critical illnesses Camps include the biannual adult Camp Blueb ird which served more that 80 persons with various cancers Pediatric patients with diseas es such as cancer, diabetes, arthritis, asthma, and cardiovascular were also served A var iety of other day retreats for diseases such as sickle cell anemia are held throughout the year Over 100 children were served at these camps SHHS is actively engaged in physician and physician extender recruitment for underserved communities Physician recruitment incl udes primary care as well as subspecialty physicians Recruitment placement is based on un met community needs, high priority health status indicators, and federally designated manp ower shortages SHHS provides registered nurses at a cost of $63,000 to provide health ser vices instruction to South Walton County High Scho

Identifier	ReturnReference	Explanation
		ol Students through the South Walton Institute of Medical Sciences The associates are res ponsible to teach, supervise and evaluate assigned students Instructors provide education and training for 300 students per year This free service benefits the broader community by training allied health care providers targeted for the medically underserved population in the community Sacred Heart Hospital in Pensacola is proud to work with Lutheran Servi ces to provide the Ryan White Title II Case Management Program, serving those in our commu nity living with AIDS and the HIV virus Our program is designed to provide comprehensive information and assistance to clients and their families in areas including outpatient med ical care, dental care, mental health services, and medications Through this program, cli ents and their families are also linked with local agencies that can assist with needs rel ated to housing, transportation, drug and alcohol treatment, and food

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Sacred Heart Health System provides many community benefits such as socia l services, pastoral care, community meeting space, and health education, all at no charge SHHS has an open medical staff with privileges available to all qualified physicians in the area The system is governed by a body of SHHS leaders with independent persons, repre sentative of the community, comprising a majority of the board It also engages in medical or scientific research programs and in the training and education of health care professi onals Other facilities and programs that promote the health of the community include a Pe diatric Medical Clinic and a Pediatric Dental Clinic which provide services to low income children, and an adult dental clinic for emergency care The Seton Center for Obstetrics a nd Gynecology provides services to low-income women eligible for Medicaid Sacred Heart Hea lth System, Inc and subsidiaries (the Health Ministry) is a member of Ascension Health A scension Health is a Catholic, national health system consisting primarily of nonprofit co rporations that own and operate local health care facilities, or Health Ministries, locate d in 20 of the United States and District of Columbia Ascension Health is sponsored by th e St Louise Province of the Daughters of Charity of St Vincent de Paul, Congregation of St Joseph, Congregation of the Sisters of St Joseph of Carondelet and the Alexian Brothe rs The Health System's principal operations consist of three nonprofit acute care hospita ls Sacred Heart Hospital is located in Pensacola, Florida, Sacred Heart Hospital on the E merald Coast is located in Miramar Beach, Florida, and Sacred Heart Hospital on the Gulf, Located in Port St Joe, Florida The Health System also owns and operates other health ca re related entities, including a long term care nursing facility and a physician's medical group The Health System provides inpatient, outpatient, and emergency care services for residents of Northwest Florida Admitting physicians are primarily practitioners in the lo cal area The Health System is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of Ascension Health are related to pro viding health care services Ascension Health directs its governance and management activit ies toward strong, vibrant, Catholic Health Ministries united in service and healing and d edicates its resources to spiritually centered care, which sustains and improves the healt h of the individuals and communities it serves In accordance with Ascension Health's miss ion of service to those who are poor and vulnerable, each Health Ministry accepts patients regardless of their ability of pay Ascension Health uses four categories to identify the resources utilized for the care of persons who are poor and community benefit programs T raditional charity care includes the cost of services provided to persons who can not affo rd health care because of inadequate resources and/or who are uninsured or underinsured U npaid cost of public programs represents the unpaid cost of services provided to persons c overed by public programs for the poor Cost of other programs for the poor includes unrei mbursed costs of programs intentionally deigned to serve the poor and vulnerable of the co mmunity, including substance abusers, the homeless, victims of child abuse, and persons wi th acquired immune deficiency syndrome Community benefit consists of the unreimbursed cos ts of community benefit programs and services for the general community, not solely for th e poor, including health promotion and education, health clinics and screenings, and medic al research Discounts are provided to all uninsured patients, including those with the mea ns to pay Discounts provided to those patients who did not qualify for assistance under c harity care guidelines are not included in the cost of providing care of persons who are p oor and community benefit programs is estimated using internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) a nd the Internal Revenue Service (IRS) Maintaining good health has been shown to positivel y affect an individual's ability to maintain employment and housing It is extremely diffi cult for homeless individuals to receive quality health care services In recent years, SH HS hospital emergency rooms have been inundated with patients who have non-critical health concerns due to lack of insurance, funding, and homelessness These patients are often le ft with no other choice but to use emergency rooms for illnesses that can be treated throu gh primary care health services SHHS held a seven week Stephen's Ministry training course for 12 individuals from the community-at-large to benefit the broader community The train ing provides skills for giving emotional and spiritual support to people who are going thr ough a difficult life event, from hospitalization

Identifier	ReturnReference	Explanation
		and grief to chronic illness and unemployment Overall, SHHS contributed over $154,000 for non marketing related charitable gifts to organizations who share in the goal of improving the health and quality of life in the community

Additional Data

Software ID:
Software Version:
EIN: 59-0634434
Name: Sacred Heart Health System Inc

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

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size from largest to smallest) How many non-hospital facilities did the organization operate during the tax year? **12** Name and address	Type of Facility (Describe)
Sacred Heart Occupational Hlth Strategie 6665 Pensacola Blvd Pensacola, FL 32505	Help Employers to gain control over healthcare expenses
Sacred Heart Occupational Hlth Strategie 6665 Pensacola Blvd Pensacola, FL 32505	Help Employers to gain control over healthcare expenses
Sacred Heart Occupational Hlth Strategie 6665 Pensacola Blvd Pensacola, FL 32505	Help Employers to gain control over healthcare expenses
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Sacred Heart Occupational Hlth Strategie 6665 Pensacola Blvd Pensacola, FL 32505	Help Employers to gain control over healthcare expenses
Sacred Heart Occupational Hlth Strategie 6665 Pensacola Blvd Pensacola, FL 32505	Help Employers to gain control over healthcare expenses

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Buddy Elmore Sch O	(i)	412,105	150,273	294,070	38,500	14,523	909,471	282,508
	(ii)	0	0	0	0	0	0	0
(2) Carol Schmidt	(i)	445,713	205,894	13,423	38,500	11,926	715,456	0
	(ii)	0	0	0	0	0	0	0
(3) Carol Whittington	(i)	294,071	116,264	24,608	16,500	13,111	464,554	0
	(ii)	0	0	0	0	0	0	0
(4) James Ward MD	(i)	335,804	56,473	62,709	16,214	11,368	482,568	0
	(ii)	0	0	0	0	0	0	0
(5) Karen Emmanuel Sch O	(i)	295,648	60,381	66,953	38,484	5,869	467,335	0
	(ii)	0	0	0	0	0	0	0
(6) Roger Hall	(i)	271,688	93,691	74,718	41,165	10,611	491,873	0
	(ii)	0	0	0	0	0	0	0
(7) Peter Heckathorn Sch O	(i)	399,458	137,235	123,612	38,496	13,267	712,068	92,460
	(ii)	0	0	0	0	0	0	0
(8) Michael Brown MD	(i)	287,808	59,420	70,223	38,484	12,443	468,378	0
	(ii)	0	0	0	0	0	0	0
(9) Dr Thomas Sunnenberg	(i)	506,416	517,176	117,678	37,775	14,004	1,193,049	0
	(ii)	0	0	0	0	0	0	0
(10) Dr Michael Goodman	(i)	621,772	1,204,838	8,615	22,000	17,270	1,874,495	0
	(ii)	0	0	0	0	0	0	0
(11) Dr Harish Malhotra	(i)	374,011	617,794	26,269	0	9,502	1,027,576	0
	(ii)	0	0	0	0	0	0	0
(12) Dr Tarek Eldawy	(i)	375,667	504,124	26,950	26,820	17,173	950,734	0
	(ii)	0	0	0	0	0	0	0
(13) Dr William Dobak	(i)	215,457	757,208	38,483	29,061	19,025	1,059,234	0
	(ii)	0	0	0	0	0	0	0
(14) Laura Kaiser Sch O	(i)	895,523	361,683	276,936	38,415	12,735	1,585,292	265,283
	(ii)	0	0	0	0	0	0	0
(15) Patrick Madden	(i)	0	0	945,926	16,375	8,300	970,601	120,079
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Supplemental Information	Part III	Part I, Line 4a Severance Payments Patrick Madden - $824,824
Supplemental Information	Part III	Part I, Line 4b Eligible executives participate in a program that provides for supplemental retirement benefits The payment of benefits under the program, if any, is entirely dependent upon the facts and circumstances under which the executive terminates employment with the organization Benefits under the program are unfunded and non-vested Due to the substantial risk of forfeiture provision, there is no guarantee that these executives will ever receive any benefit under the program Any amount ultimately paid under the program to the executive is reported as compensation on Form 990, Schedule J, Part II, Column B in the year paid The following amount was paid from the 457(f) retirement plan related to amounts earned and reported on Form 990s in previous years Laura Kaiser - $265,283 Patrick Madden - $120,079 Buddy Elmore - 282,508 Peter Heckathorn - $92,460

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) Loan to or from the organization? From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) In default? No	(f) Approved by board or committee? Yes	(f) Approved by board or committee? No	(g) Written agreement? Yes	(g) Written agreement? No
(1) Michael Goodman MD Initial Employment Loan		X	100,000	100,000		No		No	Yes	
Total . . . . . ▶ $				100,000						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Greenhut Construction	A Board Member at SHHS is a president/officer	2,279,650	Construction Svc		No
(2) CNNM LLC	A Board Member at SHHS is an owner of CNNM, LLC	272,103	Building Lease		No
(3) Emmanuel Sheppard and Condon	A Former Board Member at SHHS is a partner at ESC	62,087	Legal Services		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule L, Part IV	Business Transactions Involving Interested Persons	All transactions reported on Part IV are reported as arms-length for fair market value

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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
Sacred Heart Health System Inc

Employer identification number
59-0634434

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 2	Robert Emmanuel and Karen Emanuel have a family relationship
	Form 990, Part VI, Section A, line 6	Sacred Heart Health System, Inc has a single corporate member, Ascension Health
	Form 990, Part VI, Section A, line 7a	Sacred Heart Health System, Inc has a single corporate member, Ascension Health, who has the ability to elect members to the governing body of the Sacred Heart Health System, Inc
	Form 990, Part VI, Section A, line 7b	Ascension Health has designed a system authority matrix which assigns authority for key decisions that are necessary in the operation of the system Specific areas that are identified in the authority matrix are new organizations & major transactions, governing documents, appointments/removals, evaluation, debt limits, strategic & financial plans, assets, system policies & procedures These areas are subject to certain levels of approval by Ascension per the system authority matrix
	Form 990, Part VI, Section B, line 11	Management, including certain officers, works diligently to complete the Form 990 and attached schedules in a thorough manner Prior to filing the return, all Board Members are provided the Form 990 and management team members are available to answer any Board Members questions
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors and enforces compliance with the conflict of interest policy in that any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of the committees with governing board delegated powers considering the proposed transaction or arrangement The remaining individuals on the governing board or committee meeting will decide if conflicts of interest exist Each director, principal officer and member of a committee with governing board delegated powers annually signs a statement which affirms such person has received a copy of the conflicts of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands that the organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish its tax-exempt purpose
	Form 990, Part VI, Section B, line 15	In determining compensation of the organization's CEO, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The Compensation Committee of Ascension Health reviewed and approved the CEO Compensation In the review of the compensation, the CEO was compared to other organizations that hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the board minutes Individual was not present when her compensation was decided In determining compensation of other officers or key employees of the organization, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The Compensation Committee and the Board of Directors reviewed and approved the compensation In the review of the compensation, the other officers or key employees of the organization were compared to employees who hold the same title in other similar organizations regionally and nationally During the review and approval of the compensation, documentation of the decision was recorded in the board minutes Individuals were not present when their compensation was decided
	Form 990, Part VI, Section C, line 19	The organization will provide any documents open to public inspection upon request
	Form 990, Part VII, Section A	Officers for Sacred Heart Health System provide services to Sacred Heart Health System and its subsidiaries Hours worked are not tracked on an entity by entity basis Therefore, where noted with a "Sch O" reference, officers hours reported on Form 990, Part VII, compensation of officers, directors, trustees, key employees, highest compensated employees, and independent contractors represent aggregate hours worked per week for all entities
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -11,119,280 Deferred Pension Cost -18,616,857 Transfer to/from Affiliates -11,616,876 Transfer to Ascension -737,262 Restricted Cont used for Prop 1,498,839 Other Changes in Fund Balance 1,041,142 Donor restricted contributions 2,180,915 Total to Form 990, Part XI, Line 5 - 37,369,379

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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
Sacred Heart Health System Inc

Employer identification number
59-0634434

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) Ascension Health PO Box 45998 St Louis, MO 63145 31-1662309	National Health System	MO	Section 501(c)(3)	Schedule A, Line 11a	Ascension Health Alliance		No
(2) Haven of Our lady of Peace Inc 5151 N 9th Ave Pensacola, FL 32504 59-3620346	Nursing Home	FL	Section 501(c)(3)	Schedule A, Line 9	Sacred Heart Health System	Yes	
(3) Sacred Heart Foundation Inc 5151 N 9th Ave Pensacola, FL 32504 59-2436597	Foundation	FL	Section 501(c)(3)	Schedule A, Line 7	Sacred Heart Health System	Yes	
(4) Sacred Heart Health Ventures Inc 5151 N 9th Ave Pensacola, FL 32504 57-1183283	Serve as controlling entity of subsidiary organizations	FL	Section 501(c)(3)	Schedule A, Line 11a	Sacred Heart Health System	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? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Interventional Rehabilitation Center LLC 1549 Airport Blvd Suite 420 Pensacola, FL 32503 59-3673361	Medical Services	FL	N/A									
(2) PET LLC 5149 North 9th Ave Suite 124 Pensacola, FL 32504 59-3788701	Medical Services	FL	N/A									
(3) Emerald Coast Radiation Oncology Center LLC 7720 US Highway 98 W Miramar Beach, FL 32550 68-0507481	Medical Services	FL	N/A									
(4) Endoscopy Group LLC 4810 North Davis HWY Pensacola, FL 32503 59-3519881	Medical Services	FL	N/A									
(5) Gulf Region Radiation Oncology MSO LLC 5147 N 9th Ave Pensacola, FL 32504 26-0623827	Medical Management Services	FL	N/A									

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) Gulf Coast Diversified Inc 5154 N 9th Ave Pensacola, FL 32507 59-2432798	Investment	FL	Sacred Heart Health System Inc	C	1,062,568	13,825,185	100 000 %
(2) Gulf Region Radiation Oncology Centers Inc 8333 North Davis Hwy Pensacola, FL 32514 26-1353083	Medical Management Services	FL	Sacred Heart Health System Inc	C	-364,283	608,726	50 000 %

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

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

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		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		No
k Performance of services or membership or fundraising solicitations for related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n		No
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p	Yes	
q Other transfer of cash or property to related organization(s)	1q		No
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) Sacred Heart Foundation	R	1,558,696	cost
(2) Sacred Heart Foundation	P	207,585	cost
(3) Haven of Our Lady of Peace Inc	C	1,163,457	cost
(4) Haven of Our Lady of Peace Inc	P	6,872,255	cost
(5)			
(6)			

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

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

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

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Software ID:
Software Version:
EIN: 59-0634434
Name: Sacred Heart Health System Inc

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services

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

Medical Education - Sacred Heart Health System believes that, in order to provide the best health care to the community, its clinical personnel must receive ongoing medical education

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY AND OTHER FINANCIAL INFORMATION

Sacred Heart Health System, Inc and Subsidiaries –
Member of Ascension Health, a Subsidiary of Ascension Health Alliance
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2012 and 2011

Contents

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Report of Independent Auditors

The Board of Directors
Sacred Heart Health System, Inc and Subsidiaries

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

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

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

Ernst & Young LLP

September 12, 2012

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30 2012	2011
Assets		
Current assets		
Cash and cash equivalents	**$ 13,275**	$ 42,038
Interest in investments held by Ascension Health Alliance	**16,165**	–
Accounts receivable, less allowances for uncollectible accounts ($71,995 and $47,074 in 2012 and 2011, respectively)	**103,179**	88,691
Current portion of assets limited as to use	**2,641**	1,167
Estimated third-party payor settlements	**21,618**	22,235
Inventories	**15,777**	14,939
Assets held for sale	**2,050**	2,174
Other	**12,996**	8,952
Total current assets	**187,701**	180,196
Assets limited as to use and other long-term investments	**10,963**	11,316
Interest in investments held by Ascension Health Alliance	**170,047**	–
Property and equipment, net	**284,446**	282,482
Other assets		
Land held for expansion	**4,702**	4,702
Investment in unconsolidated entities	**38,637**	7,852
Other investments	**–**	201,501
Other	**19,524**	19,607
Total other assets	**62,863**	233,662
Total assets	**$ 716,020**	$ 707,656

See accompanying notes.

	June 30	
	2012	**2011**
Liabilities and net assets		
Current liabilities		
Current portion of long-term debt	**$ 1,158**	$ 1,087
Accounts payable and accrued liabilities	**55,019**	60,562
Estimated third-party payor settlements	**7,299**	15,548
Current portion of self-insurance liabilities	**1,003**	1,526
Intercompany accounts payable	**6,502**	–
Total current liabilities	**70,981**	78,723
Noncurrent liabilities		
Long-term debt	**125,734**	126,908
Self-insurance liabilities	**2,686**	2,701
Pension liabilities	**16,704**	16,610
Other	**30,276**	29,184
Total noncurrent liabilities	**175,400**	175,403
Total liabilities	**246,381**	254,126
Net assets		
Unrestricted		
Controlling interest	**457,514**	442,494
Noncontrolling interests	**2,033**	2,009
Unrestricted net assets	**459,547**	444,503
Temporarily restricted – controlling interest	**10,092**	9,027
Total net assets	**469,639**	453,530
Total liabilities and net assets	**$ 716,020**	$ 707,656

See accompanying notes.

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year Ended June 30 2012	2011
Operating revenue		
Net patient service revenue	$ 737,983	$ 726,932
Other revenue	19,588	12,526
(Loss) income from unconsolidated entities	(978)	1,001
Net assets released from restrictions for operations	697	1,292
Total operating revenue	757,290	741,751
Operating expenses		
Salaries and wages	263,074	248,819
Employee benefits	59,521	63,690
Purchased services	48,745	37,773
Professional fees	33,248	29,091
Supplies	130,985	128,441
Insurance	3,098	5,685
Bad debts	84,457	78,026
Interest	6,048	6,201
Depreciation and amortization	29,096	30,255
Other	72,164	83,826
Total operating expenses before impairment, restructuring, and nonrecurring gains, net	730,436	711,807
Income from operations before impairment, restructuring, and nonrecurring gains, net	26,854	29,944
Impairment, restructuring, and nonrecurring gains (losses), net	19,558	(677)
Income from operations	46,412	29,267
Nonoperating (losses) gains		
Investment return	(2,107)	30,773
Other	(701)	(346)
Total nonoperating (losses) gains, net	(2,808)	30,427
Excess of revenues and gains over expenses and losses	43,604	59,694
Less excess of revenue and gains over expenses and losses attributable to noncontrolling interests	(2,834)	(1,968)
Excess of revenues and gains over expenses and losses attributable to controlling interest	40,770	57,726

Continued on next page

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

	Year Ended June 30	
	2012	**2011**
Unrestricted net assets		
Excess of revenues and gains over expenses and losses	**$ 40,770**	$ 57,726
Pension and other postretirement liability adjustments	**(18,779)**	25,505
Transfers to sponsor and other affiliates, net	**(8,378)**	(12,191)
Net assets released from restrictions for property acquisitions	**1,499**	1,703
Other	**(90)**	(2,012)
Increase in unrestricted net assets, controlling interest, before cumulative effect of change in accounting principle	**15,022**	70,731
Cumulative effect of change in accounting principle	**–**	(4,563)
Increase in unrestricted net assets, controlling interest	**15,022**	66,168
Unrestricted net assets, noncontrolling interest		
Excess of revenues and gains over expenses and losses	**24**	1,968
Increase in unrestricted net assets, noncontrolling interest	**24**	1,968
Temporarily restricted net assets		
Contributions and grants	**3,258**	2,212
Net assets released from restrictions	**(2,195)**	(2,994)
Other	**–**	4
Increase (decrease) in temporarily restricted net assets	**1,063**	(778)
Increase in net assets	**16,109**	67,358
Net assets at beginning of year	**453,530**	386,172
Net assets at end of year	**$ 469,639**	$ 453,530

See accompanying notes

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2012	**2011**
Operating activities		
Increase in net assets	**$ 16,109**	$ 67,358
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	**29,096**	30,255
Provision for bad debts	**84,457**	78,026
Loss (income) from unconsolidated entities	**978**	(1,001)
Interest, dividends, and net losses (gains) on investments	**2,107**	(14,343)
Impairment and nonrecurring (income) expenses	**(19,558)**	677
Cumulative effect of changes in accounting principles	**–**	4,563
Transfers to sponsor and other affiliates, net	**8,378**	12,191
Restricted contributions, investment return and other restricted activity	**(1,499)**	(1,703)
(Increase) decrease in		
Interest in investments held by Ascension Health Alliance	**12,753**	–
Accounts receivable	**(98,944)**	(91,143)
Estimated third-party payor settlements receivable, net	**(7,632)**	(6,157)
Inventories and other current assets	**(6,772)**	490
Investments classified as trading	**–**	(25,266)
Other noncurrent assets	**4,307**	(10,282)
Increase (decrease) in		
Accounts payable and accrued liabilities	**(5,543)**	6,400
Intercompany accounts payable	**6,502**	–
Self-Insurance liabilities	**(538)**	–
Other noncurrent liabilities	**21,283**	(19,241)
Net cash provided by operating activities	**45,484**	30,824

Continued on next page.

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)
(In Thousands)

	Year Ended June 30	
	2012	**2011**
Investing activities		
Property, equipment, and capitalized software additions, net	**$ (33,943)**	$ (12,837)
Increase in asset limited as to use – temporary restricted	**–**	(1,156)
Investment in unconsolidated entities	**(32,322)**	–
Net cash used in investing activities	**(66,265)**	(13,993)
Financing activities		
Issuance of long-term debt		
Repayment of long-term debt	**(1,103)**	(1,227)
Transfers to sponsors and other affiliates, net	**(8,378)**	(12,191)
Restricted contributions, investment income and other	**1,499**	1,703
Net cash used in financing activities	**(7,982)**	(11,715)
Net decrease in cash and cash equivalents	**(28,763)**	5,116
Cash and cash equivalents at beginning of year	**42,038**	36,922
Cash and cash equivalents at end of year	**$ 13,275**	$ 42,038

See accompanying notes.

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

June 30, 2012

1. Organization and Mission

Organizational Structure

Sacred Heart Health System, Inc and Subsidiaries (the Health Ministry) is a member of Ascension Health In December 2011, Ascension Health Alliance became the sole corporate member and parent organization of Ascension Health, a Catholic national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 21 of the United States and the District of Columbia In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries Ascension Health Alliance, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System

Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St Vincent de Paul in the United States, St Louise Province, the Congregation of St Joseph, the Congregation of the Sisters of St Joseph of Carondelet, and the Congregation of Alexian Brothers of the Immaculate Conception Province – American Province

The System's principal operations consist of three nonprofit acute care hospitals Sacred Heart Hospital (located in Pensacola, Florida), Sacred Heart Hospital on the Emerald Coast (located in Destin, Florida), and Sacred Heart Hospital on the Gulf (located in Port St Joe, Florida) The System also owns and operates other health care-related entities, including a nursing facility and physicians' medical group The System provides inpatient, outpatient, and emergency care services for residents of northwest Florida Admitting physicians are primarily practitioners in the local area The System is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of Ascension Health are related to providing health care services

1. Organization and Mission (continued)

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care that sustains and improves the health of the individuals and communities it serves In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research

Discounts are provided to all uninsured patients, including those with the means to pay Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs The cost of providing care of persons living in poverty and community benefit programs is estimated using internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association and the Internal Revenue Service

(Dollars in Thousands)

1. Organization and Mission (continued)

The amount of traditional charity care provided, determined on the basis of cost, excluding the provision for bad debt expense, was approximately $17,414 and $16,816 for the years ended June 30, 2012 and 2011, respectively The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the Health Ministry or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation

Investments in entities where the Health Ministry does not have operating control are recorded under the equity or cost method of accounting For entities recorded under the equity method of accounting, the following reflects the Health Ministry's interest in unconsolidated entities in the consolidated balance sheets, as well as income or loss for such entities included in the consolidated excess of revenues and gains over expenses and losses in the accompanying consolidated statements of operations and changes in net assets

	Investment Recorded in Consolidated Balance Sheets June 30		Effect on Consolidated Excess of Revenues and Gains Over Expenses and Losses Years Ended June 30	
	2012	**2011**	**2012**	**2011**
Pace Ambulatory Surgery Center, LLC	**$ –**	$ –	**$ –**	$ 452
Destin Ambulatory Surgical Center, LLC	**361**	391	**156**	144
Escambia Clinics Holdings, Inc	**475**	477	**(2)**	(1)
Gulf Region Radiation Oncology, LLC	**6,214**	6,984	**(401)**	405
Bay County Health System, LLC	**31,587**	–	**(735)**	–
	$ 38,637	$ 7,852	**$ (982)**	$ 1,000

2. Significant Accounting Policies (continued)

The Health Ministry's equity in the income (loss) of unconsolidated entities is recorded in other operating revenue if the investment relates to providing health care services and is recorded in other nonoperating gains (losses) if the investment relates to activities not related to providing health care services The Health Ministry recorded $978 in operating loss for the year ended June 30, 2012, and $1,001 in other operating revenue for the year ended June 30, 2011 The Health Ministry recorded $2 and $1 in other nonoperating losses for the years ended June 30, 2012 and 2011, respectively

The Health Ministry's equity investment in Gulf Region Radiation Oncology MSO, LLC (GRROC) does not equate to the Health Ministry's 51% ownership of GRROC's equity balance due to a difference in the cost basis and the fair market value of assets contributed In accordance with Accounting Standards Codification (ASC) Topic 323, *Investments – Equity Method and Joint Ventures*, this basis difference is being amortized over the weighted average life of the assets contributed, net of the Health Ministry's earnings in the investment

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses Actual results could differ from those estimates

Fair Value of Financial Instruments

The carrying values of financial instruments classified as current assets and current liabilities approximate fair value The fair values of financial instruments classified as other than current assets and current liabilities are disclosed in Note 4

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less

2. Significant Accounting Policies (continued)

Interest in Investments Held by Ascension Health Alliance, Investments and Investment Return

At June 30, 2011, and prior to April 2012, the Health Ministry held a significant portion of its investments through the Health System Depository (HSD), an investment pool of funds in which the System and a limited number of nonprofit health care providers participated The HSD investments were managed primarily by external investment managers within established investment guidelines The value of the Health Ministry's investment in the HSD represented the Health Ministry's pro rata share of the HSD's funds held for participants At June 30, 2011, the Health Ministry's investment in the HSD was $222,369, reflected in cash and cash equivalents, assets limited as to use, and other long-term investments in the consolidated balance sheet

During the year ended June 30, 2012, the CHIMCO Alpha Fund, LLC (Alpha Fund) was created to hold primarily all investments previously held through the HSD Catholic Healthcare Investment Management Company (CHIMCO), a wholly owned subsidiary of Ascension Health Alliance, acts as manager and serves as the principal investment advisor for the Alpha Fund within established investment guidelines, including socially responsible investment guidelines In April 2012, a significant portion of the HSD's funds held for participants was transferred to the Alpha Fund, in which Ascension Health Alliance has an investment interest, as a member of the Alpha Fund Ascension Health Alliance invests funds in the Alpha Fund on behalf of the Health Ministry As of June 30, 2012, the Health Ministry has an interest in investments held by Ascension Health Alliance, which is reflected in the consolidated balance sheet, and represents the Health Ministry's pro rata share of Ascension Health Alliance's investment interest in the Alpha Fund

The Health Ministry also invests primarily in private equities that are locally managed Primarily all of these funds are held in the Sacred Heart Foundation, where the Health Ministry has significant beneficial interest in foundation assets

The Health Ministry reports its interest in investments held by Ascension Health Alliance in the accompanying June 30, 2012 consolidated balance sheet as a current or long-term asset, based on liquidity needs as directed by the Health Ministry The Health Ministry reports its other investments, including foundation investments, in the accompanying consolidated balance sheets based upon the long- or short-term nature of the investments and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of Health Ministry

2. Significant Accounting Policies (continued)

The Health Ministry's investments, excluding its interest in investments held by Ascension Health Alliance, are measured at fair value and are classified as trading securities The Alpha Fund's and the HSD's investments that are required to be recorded at fair value are classified as trading securities, and include pooled short-term investment funds, U S government, state, municipal, and agency obligations, asset-backed securities, corporate and foreign fixed income maturities, and equity securities, including private equity securities The Alpha Fund's and HSD's investments also include alternative investments, including investments in real assets, hedge funds, private equity funds, commodity funds, and private credit funds, which are valued based on the net asset value of the investments In addition, the Alpha Fund participates, and the HSD participated, in securities lending transactions whereby a portion of the investments are loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned

Purchases and sales of investments are accounted for on a trade-date basis Investment returns comprise dividends, interest, and gains and losses on the Health Ministry's investments, as well as the Health Ministry's return on its interest in investments held by Ascension Health Alliance, and are reported as nonoperating gains (losses) in the consolidated statements of operations and changes in net assets, unless the return is restricted by donor or law

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out (FIFO), or a methodology that closely approximates FIFO

Deferred Compensation

Certain executives of the Health Ministry participate in a deferred compensation plan Total cost for the plans in 2012 and 2011 was $521 and $390, respectively The plan assets are recorded at fair value with an offsetting noncurrent liability, included in other noncurrent liabilities on the consolidated balance sheet, equal to the assets

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including software internally developed Costs incurred in the development and installation of internal-use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage Intangible assets are included in other noncurrent assets on the consolidated balance sheets and comprise the following

	June 30	
	2012	**2011**
Capitalized computer software costs	**$ 25,855**	$ 22,972
Less accumulated amortization	**(20,135)**	(18,592)
Total intangible assets, net	**$ 5,720**	$ 4,380

Intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift A summary of property and equipment at June 30, 2012 and 2011, is as follows

	June 30	
	2012	**2011**
Land and improvements	**$ 49,815**	$ 49,815
Building and equipment	**545,759**	528,987
	595,574	578,802
Less accumulated depreciation	**(329,439)**	(303,034)
	266,135	275,768
Construction in progress	**18,311**	6,714
Total property and equipment, net	**$ 284,446**	$ 282,482

2. Significant Accounting Policies (continued)

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets Depreciation expense in 2012 and 2011 was $27,218 and $27,628, respectively

Estimated useful lives by asset category are as follows land improvements – 5 to 15 years, buildings – 5 to 30 years, and equipment – 5 to 15 years

Several capital projects have remaining construction and related equipment purchase commitments of approximately $10,597 as of June 30, 2012

Noncontrolling Interest

The consolidated financial statements include all assets, liabilities, revenue, and expenses of less than 100% owned or controlled entities the Health Ministry controls in accordance with applicable accounting guidance Accordingly, the Health Ministry has reflected a noncontrolling interest for the portion of net assets not owned or controlled by the Health Ministry separately on the consolidated balance sheets

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Health Ministry has been limited by donors to a specific time period or purpose Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and contributions of property and equipment

2. Significant Accounting Policies (continued)

Operating and Nonoperating Activities

The Health Ministry's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services Activities directly associated with the furtherance of this purpose are considered to be operating activities Other activities that result in gains or losses peripheral to the Health Ministry's primary mission are considered to be nonoperating, consisting primarily of investment income

Net Patient Service Revenue, Accounts Receivable, and Allowance for Uncollectible Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided, excluding the provision for bad debt expense, and includes estimated retroactive adjustments under reimbursement agreements with third-party payors Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term Adjustments to revenue related to prior periods increased net patient service revenue by approximately $9,036 and $6,899 for the years ended June 30, 2012 and 2011, respectively

During 2012, approximately 33% of net patient service revenue was received under the Medicare program and 12% under various state Medicaid programs During 2011, approximately 31% of net patient service revenue was received under the Medicare program and 13% under various state Medicaid programs The Health Ministry grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements Significant concentrations of net accounts receivable at June 30, 2012, include Medicare (18%) and various states' Medicaid programs (19%) Significant concentrations of net accounts receivable at June 30, 2011, include Medicare (15 %) and various states' Medicaid programs (12%)

2. Significant Accounting Policies (continued)

The provision for bad debt expense is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Health Ministry follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health Accounts receivable are written off after collection efforts have been followed in accordance with the Health Ministry's policies

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH) The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments

The Health Ministry accounts for HITECH incentive payments as a gain contingency Income from Medicare incentive payments is recognized as revenue after the Health Ministry has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended The Health Ministry recognized revenue from Medicaid incentive payments after it adopted certified HER technology Incentive payments totaling $3,020 for the year ended

2. Significant Accounting Policies (continued)

June 30, 2012, are included in total operating revenue in the accompanying consolidated statements of operations and changes in net assets Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit In addition, the Health Ministry's compliance with the meaningful use criteria is subject to audit by the federal government

Impairment, Restructuring, and Nonrecurring Expenses

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value

During the years ended June 30, 2012 and 2011, the Health Ministry recorded total impairment, restructuring, and nonrecurring income of $19,558 and nonrecurring expense of $677, respectively The restructuring and nonrecurring expense for the year ended June 30, 2012, included approximately $540 in expense related to the termination of an information technology service contract and a pension curtailment gain of $20,098 discussed further in Note 6 For the year ended June 30, 2011, total impairment, restructuring, and nonrecurring expenses of $677 comprised approximately $538 of restructuring and nonrecurring expenses related to changes in business operations, including reorganization and severance charges as well as approximately $139 of long-lived asset impairments

Hospital or Health Ministry Income Taxes

The member health care entities of the Health Ministry are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or 501(c)(2), and their related income is exempt from federal income tax under Section 501(a)

Reclassifications

Certain reclassifications were made to the 2011 consolidated financial statements to conform to the 2012 presentation

2. Significant Accounting Policies (continued)

Subsequent Events

The Health Ministry evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date For the year ended June 30, 2012, the Health Ministry evaluated subsequent events through September 12, 2012, representing the date on which the consolidated financial statements were available to be issued During this period, there were no subsequent events that required recognition or disclosure in the consolidated financial statements In addition, there were no nonrecognized subsequent events that required disclosure

Adoption of New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements* ASU 2010-06 clarifies certain fair value measurement guidance and requires that additional fair value measurement disclosures be made The Health Ministry adopted a portion of this guidance during the fiscal year ended June 30, 2010, and the remaining requirements as of July 1, 2011, as required The disclosure updates adopted as of July 1, 2011, result in the provision of additional detail within the reconciliation of beginning and ending balances for assets and liabilities measured at fair value, whose fair value inputs are based on significant unobservable inputs (i e , Level 3 assets and liabilities) These additional disclosure requirements are provided in Note 4 The adoption of this guidance did not have a material impact on the Health Ministry's consolidated financial statements for the year ended June 30, 2012

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure* ASU 2010-23 requires health care entities to disclose charity care based on cost measurements, defined as the direct and indirect costs of providing the charity care The Health Ministry adopted this guidance on July 1, 2011, however, as the Health Ministry has historically used cost-based measures for the calculation and disclosure of its charity care, the adoption of this guidance did not have a material impact on the Health Ministry's consolidated financial statements for the year ended June 30, 2012

2. Significant Accounting Policies (continued)

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)* ASU 2011-04 provides clarifications to certain existing fair value measurement guidance and includes updated guidance for certain fair value measurement principles and disclosures The Health Ministry adopted this guidance as of January 1, 2012 The adoption of this guidance did not have a material impact on the Health Ministry's consolidated financial statements for the year ended June 30, 2012

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debt and the Allowance for Doubtful Accounts for Certain Health Care Entities* ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time services are rendered to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue in the statement of operations rather than as operating expense Additional disclosures relating to sources of patient service revenue and the allowance for uncollectible accounts are also required This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted The Health Ministry plans to adopt the provisions of ASU 2011-07 as of and for the year ended June 30, 2013, and retrospectively apply the presentation requirements to all periods presented

(Dollars in Thousands)

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-Term Investments

At June 30, 2012, the Health Ministry's investments consist of its interest in investments held by Ascension Health Alliance and certain other investments, including investments held and managed by the Sacred Heart Foundation At June 30, 2011, the Health Ministry's investments consisted of the Health Ministry's pro rata share of the HSD's funds held for participants and certain other investments, including investments held and managed by the Sacred Heart Foundation Board-designated investments represent investments designated by resolution of the Sacred Heart Foundation Board to put amounts aside primarily for future capital expansion and improvements Assets limited as to use primarily include investments restricted by donors The Health Ministry's cash, cash equivalents, interest in investments held by Ascension Health Alliance, and assets limited as to use and other long-term investments are reported in the accompanying consolidated balance sheets as presented in the following table

	June 30	
	2012	**2011**
Cash and cash equivalents	**$ 13,275**	$ 42,038
Current portion of assets limited as to use	**2,641**	1,167
Assets limited as to use and other long-term investments		
Assets limited as to use	**3,514**	3,457
Other long-term investments	**7,449**	7,859
Total assets limited as to use, and other long-term investments	**10,963**	11,316
Other investments	**–**	201,501
Other noncurrent assets	**11,106**	11,669
Interest in investments held by Ascension Health Alliance	**186,212**	–
Total	**$ 224,197**	$ 267,691

(Dollars in Thousands)

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-Term Investments (continued)

The composition of cash and investments classified as cash and cash equivalents, board-designated investments, assets limited as to use, and other investments is summarized as follows

	June 30	
	2012	**2011**
Cash and cash equivalents	**$ 13,275**	$ 42,038
Assets limited as to use		
Cash and current portion of pledges receivable	**2,641**	1,167
Noncurrent portion of pledges receivable, net	**2,088**	4,787
Long-term investments at fair value	**8,875**	6,529
Current portion of assets limited as to use, noncurrent portion of assets limited as to use, and other long-term investments	**13,604**	12,483
Interest in investments held by Ascension Health Alliance	**186,212**	–
Pro rata share of HSD funds held for participants	–	201,501
Other noncurrent assets (deferred compensation assets)	**11,106**	11,669
Cash and cash equivalents, short-term investments, interest in investments held by Ascension Health Alliance, assets limited as to use and other long-term investments	**$ 224,197**	$ 267,691

(Dollars in Thousands)

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-Term Investments (continued)

As of June 30, 2012 and 2011, the composition of total Alpha Fund and HSD investments is as follows

	June 30	
	2012	**2011**
Cash, cash equivalents and short-term investments	**4.7%**	6 9%
U S government obligations	**32.1**	27 4
Asset-backed securities	**10.3**	15 8
Corporate and foreign fixed income investments	**9.0**	11 3
Equity, private equity, and other investments	**43.9**	38 6
Total	**100.0%**	100 0%

Investment return recognized by the Health Ministry is summarized as follows

	Year Ended June 30	
	2012	**2011**
Return on interest in investments held by Ascension Health Alliance and investment return in HSD	**$ 9,839**	$ 16,430
Net (losses) gains on investments reported at fair value	**(11,946)**	14,303
Total investment return included in nonoperating (losses) gains	**$ (2,107)**	$ 30,733

4. Fair Value Measurements

The Health Ministry categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances

4. Fair Value Measurements (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability The Health Ministry's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability

The Health Ministry follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values Level inputs are defined as follows

Level 1 – Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly Level 2 pricing inputs include prices quoted for similar investments in active markets or exchanges or prices quote for identical or similar investments in markets that are not active If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation

As of June 30, 2012 and 2011, assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs

Equity securities

The fair value of U S and international equity securities is valued at the closing quoted price on the active market for which the individual securities are traded

4. Fair Value Measurements (continued)

Corporate and foreign fixed income maturities

The fair value of investments in U S and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options

Guaranteed pooled fund

The fair value of guaranteed pooled fund investments is based on cost plus guaranteed, annuity contract-based interest rates Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying the annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio

As discussed in Note 2 and Note 3, the Health Ministry has an interest in investments held by Ascension Health Alliance As of June 30, 2012, 17%, 52%, and 31% of total Alpha Fund assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100%, and 0% of total Alpha Fund liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2, and Level 3 inputs, respectively As of June 30, 2011, 31%, 67%, and 2% of total HSD assets that were measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 1%, 84%, and 15% of total HSD liabilities that were measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively

(Dollars in Thousands)

4. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2012, for all other financial assets and liabilities that are measured at fair value on a recurring basis in the consolidated financial statements

	Level 1	Level 2	Level 3	Total
June 30, 2012				
Assets limited as to use and other long-term investments				
Equity securities	**$ 7,461**	**$ –**	**$ –**	**$ 7,461**
Corporate bonds	**–**	**1,413**	**–**	**1,413**
Deferred compensation assets, included in other noncurrent assets				
Equity securities	**7,046**	**–**	**–**	**7,046**
Guaranteed pooled fund	**–**	**–**	**4,060**	**4,060**
Total	**$ 14,507**	**$ 1,413**	**$ 4,060**	**$ 19,980**

The following table summarizes fair value measurements, by level, at June 30, 2011, for all other financial assets and liabilities, measured at fair value on a recurring basis in the Health Ministry's consolidated financial statements

	Level 1	Level 2	Level 3	Total
June 30, 2011				
Assets limited as to use and other long-term investments				
Equity securities	$ 5,797	$ –	$ –	$ 5,797
Corporate bonds	–	732	–	732
Deferred compensation assets, included in other noncurrent assets				
Equity securities	7,224	–	–	7,224
Guaranteed pooled fund	–	–	4,445	4,445
Total	$ 13,021	$ 732	$ 4,445	$ 18,198

(Dollars in Thousands)

4. Fair Value Measurements (continued)

During the years ended June 30, 2012 and 2011, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) comprised the following

	Deferred Compensation Assets
July 1, 2010	$ 2,740
Purchases, issuances and settlements	1,336
Transfers into Level 3	369
June 30, 2011	4,445
Purchases	**360**
Sales	**(601)**
Transfers into Level 3	**37**
Transfers out of Level 3	**(181)**
June 30, 2012	**$ 4,060**

5. Long-Term Debt

Long-term debt consists of the following

	June 30	
	2012	**2011**
Intercompany debt with Ascension Health Alliance, payable in installments through 2047, interest (3 8% and 3 9% at June 30, 2012 and 2011, respectively) adjusted based on prevailing blended market interest rate of underlying debt obligations	**$ 125,879**	$ 126,792
Other	**1,013**	1,203
	126,892	127,995
Less current portion	**(1,158)**	(1,087)
Long-term debt, less current portion	**$ 125,734**	$ 126,908

(Dollars in Thousands)

5. Long-Term Debt (continued)

Scheduled principal repayments of long-term debt are as follows

Year ending June 30	
2013	$ 1,158
2014	2,032
2015	2,588
2016	1,602
2017	1,975
Thereafter	117,537
Total	$ 126,892

Certain members of Ascension Health Alliance formed the Ascension Health Credit Group (Senior Credit Group) Each Senior Credit Group member is identified as either a senior obligated group member, senior designated affiliate, or senior limited designated affiliate Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension Health Alliance Although senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI, Ascension Health Alliance may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including repayment of the outstanding obligations In addition, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health Alliance with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation The Health Ministry is a senior obligated group member under the terms of the Senior MTI

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof

5. Long-Term Debt (continued)

A Subordinate Credit Group, which comprises subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI) The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension Health Alliance Although subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, Ascension Health Alliance may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations In addition, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with Ascension Health Alliance, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation The Health Ministry is a subordinate obligated group member under the terms of the Subordinate MTI

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper, and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members subject to a long-term amortization schedule of 1 to 39 years

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions In addition, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities Any gain or loss on refinancing, as well as any bond premiums or discounts, are allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member

The carrying amounts of intercompany debt with Ascension Health Alliance and other debt approximate fair value based on a portfolio market valuation provided by a third party

5. Long-Term Debt (continued)

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio

As of June 30, 2012, the Senior Credit Group has a line of credit of $1,000,000 which may be used as a source of funding for unremarketed variable rate debt (including commercial paper) or for general corporate purposes, toward which bank commitments totaling $1,000,000 extend to November 9, 2014 As of June 30, 2012 and 2011, there were no borrowings under the line of credit

As of June 30, 2012, the Subordinate Credit Group has a $50,000 revolving line of credit related to its letters of credit program toward which a bank commitment of $50,000 extends to December 27, 2012 As of June 30, 2012, $26,607 of letters of credit had been extended under the revolving line of credit, although there were no borrowings under any of the letters of credit

The outstanding principal amount of all hospital revenue bonds is $4,451,285 which represents 41% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at June 30, 2012

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and similar transactions The term of the guarantee is equal to the term of the related debt, which can be as short as 30 days or as long as 27 years The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees and other commitments at June 30, 2012, is approximately $170,000

During the years ended June 30, 2012 and 2011, interest paid was approximately $6,048 and $6,383, respectively

6. Pension Plans

The Health Ministry participates in the Ascension Health Pension Plan and the Ascension Health Defined Contribution Plan Details of these plans are as follows

Ascension Health Pension Plan

The Health Ministry participates in the Ascension Health Pension Plan (the Ascension Plan), a noncontributory defined benefit pension plan that covers substantially all eligible employees of certain System entities Benefits are based on each participant's years of service and compensation The Ascension Plan's assets are invested in the Ascension Health Master Pension Trust (the Trust), a master trust consisting of cash and cash equivalents, equity, fixed income funds, and alternative investments The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants Net periodic pension cost of $1,437 in 2012 and $9,846 in 2011 was charged to the Health Ministry The service cost component of net periodic pension cost charged to the Health Ministry is actuarially determined while all other components are allocated based on the Health Ministry's pro rata share of Ascension Health's overall projected benefit obligation

During the year ended June 30, 2012, the System approved and communicated to employees a redesign of associate retirement benefits, which affects the Ascension Plan as well as provides an enhanced comprehensive defined contribution plan These changes will become effective January 1, 2013 These changes resulted in the Health Ministry's recognition of a nonrecurring curtailment gain of $20,098 during the year ended June 30, 2012 These changes also resulted in one-time decreases to the projected benefit obligation of $19,395 The projected benefit obligation is included in pension and other postretirement liabilities in the accompanying consolidated balance sheets

The assets of the Ascension Plan are available to pay the benefits of eligible employees of all participating entities If participating entities are unable to fulfill their financial obligations under the Ascension Plan, the other participating entities are obligated to do so As of June 30, 2012, the Ascension Plan had a net unfunded liability of $267,828 The Health Ministry's allocated

6. Pension Plans (continued)

share of the Ascension Plan's net unfunded liability reflected in the accompanying consolidated balance sheets at June 30, 2012 and 2011, was $16,704 and $16,610, respectively As a result of updating the funded status of the Plan, the Health Ministry's allocated share of the Plan's net funded liability was reduced by $1,319, net and $21,213 during 2012 and 2011, respectively These adjustments are included in pension and other postretirement liability adjustments in the accompanying consolidated statements of operations and changes in net assets

As of June 30, 2012 and 2011, the fair value of the Ascension Plan's assets available for benefits was $3,948,293 and $3,616,141, respectively As discussed in Note 4, the Health Ministry, as well as the System, follows a three-level hierarchy to categorize assets and liabilities measured at fair value In accordance with this hierarchy, as of June 30, 2012, 16%, 51%, and 33% of the Ascension Plan's assets that are measured at fair value on a recurring basis were categorized as Level 1, Level 2, and Level 3, respectively With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 6%, 87%, and 7% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2012 In addition, as of June 30, 2011, 27%, 45%, and 28% of the Ascension Plan's assets that are measured at fair value on a recurring basis were categorized as Level 1, Level 2, and Level 3, respectively With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 0%, 17%, and 83% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2011

Ascension Health Defined Contribution Plan

The Health Ministry participates in the Ascension Health Defined Contribution Plan (the Defined Contribution Plan), a contributory and noncontributory defined contribution plan sponsored by Ascension Health, which covers all eligible associates There are three primary types of contributions to the Defined Contribution Plan employer automatic contributions, employee contributions, and employer matching contributions Benefits for employer automatic contributions are determined as a percentage of a participant's salary and increase over specified periods of employee service These benefits are funded annually, and participants become fully vested over a period of time Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period These benefits are funded each payroll period, and participants become fully vested in all employer contributions immediately Defined contribution expense, representing both employer automatic contributions and employer matching contributions, was $5,025 and $4,322 for the years ended June 30, 2012 and 2011, respectively

7. Self-Insurance Programs

The Health Ministry participates in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2012 and 2011 If sufficient funds are not available from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency If contributions exceed the losses paid, the excess may be returned to participating entities

Professional and General Liability Programs

The Health Ministry participates in Ascension Health's professional and general liability self-insured program which provides claims-made coverage through a wholly owned onshore trust and offshore captive insurance company, Ascension Health Insurance, Ltd (AHIL), with a self-insured retention of $10,000 per occurrence with no aggregate The Health Ministry has a deductible of $100 per claim Excess coverage is provided through AHIL with limits up to $185,000 AHIL retains $5,000 per occurrence and $5,000 annual aggregate for professional liability AHIL also retains a 20% quota share of the first $25,000 of umbrella excess The remaining excess coverage is reinsured by commercial carriers

Professional liability coverage is provided on an occurrence basis through a wholly owned onshore trust with a self-insured retention of $250 per occurrence and $7,500 in aggregate in compliance with participation in the Patient Compensation Fund The Patient Compensation Fund applies to claims in excess of the primary self-insured limit General liability coverage is provided on a claims-made basis through a wholly owned onshore trust and offshore captive insurance company, AHIL, with a self-insured retention of $10,000 per occurrence with no aggregate Excess coverage is provided through AHIL with limits up to $185,000 AHIL also retains a 20% quota share of the first $25,000 of umbrella excess The remaining excess coverage is reinsured by commercial carriers The Health Ministry has a deductible of $100 for both professional and general liability claims

(Dollars in Thousands)

7. Self-Insurance Programs (continued)

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is professional and general liability expense of $2,137 and $4,740 for the years ended June 30, 2012 and 2011, respectively Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are professional and general liability premiums owed to the self-insured trust of approximately $3,689 and $4,227, at June 30, 2012 and 2011, respectively

Workers' Compensation

The Health Ministry participates in Ascension Health's workers' compensation program, which provides occurrence coverage through a grantor trust The trust provides coverage up to $1,000 per occurrence with no aggregate The trust provides a mechanism for funding the workers' compensation obligations of its members Excess insurance against catastrophic loss is obtained through commercial insurers Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of $1,428 and $1,507 for the years ended June 30, 2012 and 2011, respectively

8. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows

Year ending June 30	
2013	$ 10,815
2014	10,255
2015	9,103
2016	5,660
2017	4,671
Thereafter	13,194
Total	$ 53,698

8. Lease Commitments (continued)

The Health Ministry has subleased certain of its space under the operating leases reported above Total future minimum rents to be received under noncancelable subleases with terms of one year or more are $2,044

In prior years, the System entered into agreements to lease four parcels of land to an unrelated third party to construct and operate medical office buildings (MOBs) on the premises Under the first lease, annual payments of $51 are due from the lessee, beginning on February 1, 1999, and continuing for a 51½-year period Beginning with the second lease year through the term of the lease, rental payments increase by an amount equal to 2 00% of the rent of the previous year The lessee has the option to extend the term of the lease for an additional ten-year period Under the second lease, quarterly payments of $14 are due from the lessee, beginning on July 26, 2004, and continuing for a 76½-year period Beginning with the 2007 lease year through and including the 2016 lease year, rental payments increase by an amount equal to 2 75% of the rent of the previous year After the 2016 lease year, rent will increase by the lesser of 2 75% of the immediately preceding lease year or the consumer price index as defined by the lease agreement The lessee has the option to extend the term of the lease for an additional ten-year period Under the third lease, quarterly payments of $15 are due from the lessee, beginning on May 1, 2002, and continuing for a 76½-year period Beginning with the 2005 lease year through and including the 2014 lease year, rental payments increase by an amount equal to 2 75% of the rent of the previous year After the 2015 lease year, rent will increase by the lesser of 2 75% of the immediately preceding lease year or the consumer price index as defined by the lease agreement The lessee has the option to extend the term of the lease for an additional ten-year period Under the fourth lease, quarterly payments of $46 are due from the lessee, beginning on October 1, 2003, and continuing for a 76½-year period Beginning with the 2005 lease year through and including the 2014 lease year, rental payments increase by an amount equal to 2 75% of the rent of the previous year After the 2015 lease year, rent will increase by the lesser of 2 75% of the immediately preceding lease year or the consumer price index as defined by the lease agreement The lessee has the option to extend the term of the lease for an additional ten-year period

(Dollars in Thousands)

8. Lease Commitments (continued)

In addition, the Health Ministry is a lessor under certain operating lease agreements, primarily ground leases related to third party owned MOBs on land owned by the Health Ministry Future minimum rental receipts under all noncancelable operating leases with terms of one year or more are as follows

Year ending June 30	
2013	$ 2,023
2014	1,843
2015	1,521
2016	1,448
2017	1,244
Thereafter	51,684
Total	$ 59,763

Rental expense under operating leases amounted to $13,421 and $12,358 in 2012 and 2011, respectively

The Health Ministry entered into agreements to lease space in MOBs under construction by external development companies The Health Ministry was considered the owner of the MOBs during construction In addition, because these transactions (and the sales of other existing MOBs) did not qualify for sale-leaseback accounting, they were treated as financing transactions Accordingly, the associated financing obligations of $12,040 and $12,215 at June 30, 2012 and 2011, respectively, are included in other noncurrent liabilities in the accompanying consolidated balance sheets These financing obligations will not result in cash payments All future cash obligations related to leased space within these MOBs are included as future minimum lease payments in the amounts reported above

9. Related-Party Transactions

The Health Ministry utilized various centralized programs and overhead services of the System or its other sponsored organizations including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services The charges allocated to the Health Ministry for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of the Health Ministry Allocations are based on relevant metrics such as the Health Ministry's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of the System The amounts charged to the Health Ministry for these services may not necessarily result in the net costs that would be incurred by the Health Ministry on a stand-alone basis The charges allocated to the Health Ministry were approximately $26,614 and $20,613 for the years ended June 30, 2012 and 2011, respectively

In addition to the charges discussed above, the Health Ministry made payments to the System of $7,196 and $7,564 for the years ended June 30, 2012 and 2011, respectively, representing the Health Ministry's share of costs to fund a System-wide information technology and process standardization project that is expected to continue through December 2014 These payments are included in transfers to sponsor and other affiliates, net, in the accompanying consolidated statements of operations and changes in net assets

During the year ended June 30, 2012, the Health Ministry transferred cash and investments of $445 in support of the System's strategic initiatives

10. Contingencies and Commitments

In September 2010, Ascension Health received a letter from the U S Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICDs) were provided to certain Medicare beneficiaries in accordance with national coverage criteria In connection with this nationwide review, the Health Ministry will be reviewing applicable medical records for response to the DOJ The DOJ's investigation spans a time frame beginning in 2004 and extending through the present time Through August 23, 2012, the DOJ has not asserted any claims against the Health Ministry Ascension Health and the Health Ministry continue to fully cooperate with the DOJ in its investigation