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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
Middle Tennessee Medical Center Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1700 Medical Center Parkway

City or town, state or country, and ZIP + 4
Murfreesboro, TN 37129

**D Employer identification number**
62-0475842

**E Telephone number**
(615) 396-4100

**G** Gross receipts $ 260,978,764

**F** Name and address of principal officer
Gordon B Ferguson
1700 Medical Center Parkway
Murfreesboro, TN 37129

**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 mtmc org

**K** Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1927 | **M** State of legal domicile TN

## Part I Summary

**1** Briefly describe the organization's mission or most significant activities
Spiritually centered care, which sustains and improves the health of individuals and communities

**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** | 17 |
| **4** | Number of independent voting members of the governing body (Part VI, line 1b) | **4** | 15 |
| **5** | Total number of individuals employed in calendar year 2011 (Part V, line 2a) | **5** | 1,549 |
| **6** | Total number of volunteers (estimate if necessary) | **6** | 15 |
| **7a** | Total unrelated business revenue from Part VIII, column (C), line 12 | **7a** | 1,504,853 |
| **b** | Net unrelated business taxable income from Form 990-T, line 34 | **7b** | -862,415 |

| | | Prior Year | Current Year |
|---|---|---|---|
| Revenue | **8** Contributions and grants (Part VIII, line 1h) | 158,969 | 128,074 |
| | **9** Program service revenue (Part VIII, line 2g) | 241,965,902 | 245,542,642 |
| | **10** Investment income (Part VIII, column (A), lines 3, 4, and 7d ) | 8,513,221 | 120,752 |
| | **11** Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 3,349,424 | 14,824,358 |
| | **12** Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 253,987,516 | 260,615,826 |
| Expenses | **13** Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) | 64,183 | 11,500 |
| | **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) | 82,422,858 | 70,026,248 |
| | **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) | 182,434,210 | 158,174,217 |
| | **18** Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 264,921,251 | 228,211,965 |
| | **19** Revenue less expenses Subtract line 18 from line 12 | -10,933,735 | 32,403,861 |

| | | Beginning of Current Year | End of Year |
|---|---|---|---|
| Net Assets or Fund Balances | **20** Total assets (Part X, line 16) | 343,834,588 | 341,938,862 |
| | **21** Total liabilities (Part X, line 26) | 177,627,771 | 139,995,169 |
| | **22** Net assets or fund balances Subtract line 21 from line 20 | 166,206,817 | 201,943,693 |

## 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 — 2013-05-14 Date

▶ Craig Polkow CFO-Saint Thomas Health
Type or print name and title

**Paid Preparer's Use Only**

Preparer's signature ▶ Matt 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

Rooted in the loving ministry of Jesus as healer, we commit ourselves to serving all persons with special attention to those who are poor and vulnerable Our Catholic health ministry is dedicated to spiritually centered, holistic care, which sustains and improves the health of individuals and communities We are advocates for a compassionate and just society through our actions and our words

**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 $ 184,603,149 including grants of $ 11,500 ) (Revenue $ 258,716,412 )

Middle Tennessee Medical Center ("MTMC") is a 286-bed private, not-for-profit acute care hospital located in Murfreesboro, Tennessee MTMC provides a substantial portion of its services to the elderly and poor MTMC provided the following benefits to the community Charity care (at cost) in the amount of $14,537,414, Government sponsored health care (net expenses) $5,891,405, and Community Benefit Programs (net expenses) $531,596 See Schedule O for complete Community Benefit Report

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

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

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

**4e** **Total program service expenses** ▶ $ 184,603,149

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

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

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

| | | | | Yes | No |
|---|---|---|---|---|---|
| **1a** | Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . . . . . | **1a** | 81 | | |
| **b** | Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable | **1b** | 0 | | |
| **c** | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . . | | | **1c** Yes | |
| **2a** | Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return . . . . . | **2a** | 1,549 | | |
| **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 | 17 | | |
| b | Enter the number of voting members included in line 1a, above, who are independent . . . . . | 1b | 15 | | |
| 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 | | No |
| b | If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . . . . | 10b | | |
| 11a | Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? | 11a | Yes | |
| b | Describe in Schedule O the process, if any, used by the organization to review the Form 990 . . . . . | | | |
| 12a | Did the organization have a written conflict of interest policy? *If "No," go to line 13* . . . . . | 12a | Yes | |
| b | Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . . | 12b | Yes | |
| c | Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . . | 12c | Yes | |
| 13 | Did the organization have a written whistleblower policy? . . . . . | 13 | Yes | |
| 14 | Did the organization have a written document retention and destruction policy? . . . . . | 14 | Yes | |
| 15 | Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? | | | |
| a | The organization's CEO, Executive Director, or top management official . . . . . | 15a | Yes | |
| b | Other officers or key employees of the organization . . . . . | 15b | Yes | |
| | If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions) | | | |
| 16a | Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . . | 16a | Yes | |
| b | If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . . | 16b | Yes | |

## Section C. Disclosure

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

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 ▶

Martha Tolbert
1700 Medical Center Parkway
Murfreesboro, TN 37129
(615) 396-4100

## 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) Matt Murfree Chairman | 1 00 | X | | X | | | | 0 | 0 | 0 |
| (2) Lee Moss Vice Chairman | 1 00 | X | | X | | | | 0 | 0 | 0 |
| (3) George White Secretary | 1 00 | X | | X | | | | 0 | 0 | 0 |
| (4) Emil Hassan Treasurer | 1 00 | X | | X | | | | 0 | 0 | 0 |
| (5) Sumner Bouldin Jr Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (6) David Chatman MD Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (7) Debbie Cope Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (8) Bill Huddleston Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (9) Bill Jones Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (10) Sister Mary Frances Loftin Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (11) Patty Marschel Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (12) Mary Moss MD Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (13) Tom Provow Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (14) Mike Schatzlein MDSch O Board Member | 1 00 | X | | | | | | 0 | 1,208,662 | 37,438 |
| (15) Jeff Shay Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (16) Davis Young Board Member | 1 00 | X | | | | | | 0 | 0 | 0 |
| (17) Gordon B Ferguson President/CEO | 40 00 | X | | X | | | | 0 | 487,868 | 64,741 |

**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) Pamela Hess<br>Chief Financial Officer | 40 00 | | | X | | | | 182,382 | 0 | 13,859 |
| (19) Elizabeth Lemmons<br>Chief Operations Officer | 40 00 | | | | X | | | 298,745 | 0 | 41,346 |
| (20) Kelly Miles<br>Chief Nursing Officer | 40 00 | | | | X | | | 176,609 | 0 | 7,192 |
| (21) Sheila Pertiller MD<br>Physician | 40 00 | | | | | X | | 334,737 | 0 | 11,495 |
| (22) David Sellers MD<br>Physician | 40 00 | | | | | X | | 304,337 | 0 | 25,027 |
| (23) Kecia Badem MD<br>Physician | 40 00 | | | | | X | | 306,944 | 0 | 13,398 |
| (24) Sally Bullock MD<br>Physician | 40 00 | | | | | X | | 250,923 | 0 | 3,191 |
| (25) William Brown MD<br>Chief Medical Officer | 40 00 | | | | | X | | 277,776 | 0 | 14,416 |
| (26) Michael Bratton<br>Former CNO (end 4/11) | 0 00 | | | | | | X | 178,137 | 0 | 3,530 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |

| | | | | |
|---|---|---|---|---|
| **1b** | **Sub-Total** . . . . . ▶ | | | |
| **c** | **Total from continuation sheets to Part VII, Section A** . . . . ▶ | | | |
| **d** | **Total (add lines 1b and 1c)** . . . . . ▶ | 2,310,590 | 1,696,530 | 235,633 |

**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 ▶ 64

| | | | 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 |
|---|---|---|
| MTMC for Lung Disease<br>1800 Medical Cntr Parkway Ste 31<br>Murfreesboro, TN 37129 | Medical Services | 995,721 |
| Ortho Surgicalists LLC<br>301 21st Avenue North<br>Nashville, TN 37203 | Medical Services | 764,833 |
| American Endoscopy Services<br>PO Box 11407<br>Birmingham, AL 352461614 | Medical Services | 373,103 |
| Medical Solutions Inc<br>9101 Western Ave Ste 101<br>Omaha, NE 68114 | Travel Nurses | 225,890 |
| Healthcare Performance Partners<br>PO Box 405652<br>Atlanta, GA 303845652 | Lean Consulting | 192,893 |

**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 ▶ 11

## 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 | 128,074 | | | |
| | e | Government grants (contributions) | 1e | | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | | | | |
| | g | Noncash contributions included in lines 1a-1f $ | | | | | |
| | h | **Total.** Add lines 1a-1f | | 128,074 | | | |
| Program Service Revenue | | | Business Code | | | | |
| | 2a | Net Patient Services | 621400 | 241,558,510 | 241,558,510 | | |
| | b | Ancillary Revenue | 621400 | 2,479,279 | 2,479,279 | | |
| | c | Reference Lab | 621500 | 1,504,853 | | 1,504,853 | |
| | d | | | | | | |
| | e | | | | | | |
| | f | All other program service revenue | | | | | |
| | g | **Total.** Add lines 2a–2f | | 245,542,642 | | | |
| | 3 | Investment income (including dividends, interest and other similar amounts) | | 55,774 | | | 55,774 |
| | 4 | Income from investment of tax-exempt bond proceeds | | | | | |
| | 5 | Royalties | | | | | |
| | | | (i) Real | (ii) Personal | | | |
| | 6a | Gross rents | 438,689 | | | | |
| | b | Less rental expenses | 349,544 | | | | |
| | c | Rental income or (loss) | 89,145 | | | | |
| | d | Net rental income or (loss) | | | 89,145 | | 89,145 |
| | | | (i) Securities | (ii) Other | | | |
| | 7a | Gross amount from sales of assets other than inventory | | 64,978 | | | |
| | b | Less cost or other basis and sales expenses | | 0 | | | |
| | c | Gain or (loss) | | 64,978 | | | |
| | d | Net gain or (loss) | | | 64,978 | | 64,978 |
| 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 | 69,984 | | | |
| | b | Less cost of goods sold | b | 13,394 | | | |
| | c | Net income or (loss) from sales of inventory | | | 56,590 | | 56,590 |
| | | Miscellaneous Revenue | Business Code | | | | |
| | 11a | Provider Tax | 621500 | | 7,762,556 | 7,762,556 | |
| | b | Pension Curtail Gain | 541610 | | 3,933,078 | 3,933,078 | |
| | c | Cafeteria Revenue | 624200 | | 974,272 | 974,272 | |
| | d | All other revenue | | | 2,008,717 | 2,008,717 | |
| | e | **Total.** Add lines 11a–11d | | | 14,678,623 | | |
| | 12 | **Total revenue.** See Instructions | | | 260,615,826 | 258,716,412 | 1,504,853 | 266,487 |

## 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 | 11,500 | 11,500 | | |
| 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 . . . . | 830,053 | | 830,053 | |
| 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 | 56,044,178 | 51,186,808 | 4,857,370 | |
| 8 | Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . | 1,232,811 | 1,109,530 | 123,281 | |
| 9 | Other employee benefits . . . . . | 7,814,316 | 7,032,884 | 781,432 | |
| 10 | Payroll taxes . . . . . | 4,104,890 | 3,694,401 | 410,489 | |
| 11 | Fees for services (non-employees) | | | | |
| a | Management . . . . . | 36,069,778 | | 36,069,778 | |
| b | Legal . . . . . | 137,659 | | 137,659 | |
| c | Accounting . . . . . | 11,341 | | 11,341 | |
| d | Lobbying . . . . . | | | | |
| e | Professional fundraising *See Part IV, line 17* . . | | | | |
| f | Investment management fees . . . . . | | | | |
| g | Other . . . . . | 21,459,318 | 21,459,318 | | |
| 12 | Advertising and promotion . . . . | 325,768 | 325,768 | | |
| 13 | Office expenses . . . . . | 32,130,425 | 32,130,425 | | |
| 14 | Information technology . . . . . | | | | |
| 15 | Royalties . . | | | | |
| 16 | Occupancy . . . . . | 5,154,306 | 5,154,306 | | |
| 17 | Travel . . . . . | | | | |
| 18 | Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . . | | | | |
| 19 | Conferences, conventions, and meetings . . . . | 112,657 | 112,657 | | |
| 20 | Interest . . . . . | | | | |
| 21 | Payments to affiliates . . . . . | | | | |
| 22 | Depreciation, depletion, and amortization . . . . . | 21,391,066 | 21,391,066 | | |
| 23 | Insurance . . . . . | 894,462 | 894,462 | | |
| 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 | Bad Debt Expense | 12,275,524 | 12,275,524 | | |
| b | TNCare Coverage Assess | 7,762,556 | 7,762,556 | | |
| c | Provider Tax | 5,517,895 | 5,517,895 | | |
| d | Other Professional Fees | 3,874,128 | 3,486,715 | 387,413 | |
| e | | | | | |
| f | All other expenses | 11,057,334 | 11,057,334 | | |
| 25 | **Total functional expenses.** Add lines 1 through 24f | 228,211,965 | 184,603,149 | 43,608,816 | 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 | 16,978,734 | 1 | 347,432 |
| | 2 | Savings and temporary cash investments | | 2 | 0 |
| | 3 | Pledges and grants receivable, net | | 3 | 0 |
| | 4 | Accounts receivable, net | 24,159,345 | 4 | 29,979,421 |
| | 5 | Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L | | 5 | |
| | 6 | Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L | | 6 | |
| | 7 | Notes and loans receivable, net | 237,443 | 7 | 193,264 |
| | 8 | Inventories for sale or use | 1,839,249 | 8 | 2,983,377 |
| | 9 | Prepaid expenses and deferred charges | 4,692,932 | 9 | 8,950,511 |
| | 10a | Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 320,163,375 | | | |
| | b | Less accumulated depreciation — 10b: 51,288,353 | 278,506,277 | 10c | 268,875,022 |
| | 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 | 360,893 | 13 | 627,724 |
| | 14 | Intangible assets | | 14 | 110,995 |
| | 15 | Other assets See Part IV, line 11 | 17,059,715 | 15 | 29,871,116 |
| | 16 | **Total assets.** Add lines 1 through 15 (must equal line 34) | 343,834,588 | 16 | 341,938,862 |
| Liabilities | 17 | Accounts payable and accrued expenses | 18,856,965 | 17 | 11,427,086 |
| | 18 | Grants payable | | 18 | |
| | 19 | Deferred revenue | | 19 | |
| | 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 | 158,770,806 | 25 | 128,568,083 |
| | 26 | **Total liabilities.** Add lines 17 through 25 | 177,627,771 | 26 | 139,995,169 |
| 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 | 166,206,817 | 27 | 201,943,693 |
| | 28 | Temporarily restricted net assets | | 28 | |
| | 29 | Permanently restricted net assets | | 29 | |
| | | **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 | 166,206,817 | 33 | 201,943,693 |
| | 34 | Total liabilities and net assets/fund balances | 343,834,588 | 34 | 341,938,862 |

## 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 | 260,615,826 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) . . . . . | 2 | 228,211,965 |
| 3 | Revenue less expenses Subtract line 2 from line 1 . . . . | 3 | 32,403,861 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . | 4 | 166,206,817 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) . . . . | 5 | 3,333,015 |
| 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 | 201,943,693 |

## 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 | | No |
| b | If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . . | 3b | | |

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493134064953

# 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
Middle Tennessee Medical Center Inc

**Employer identification number**
62-0475842

**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 |
|---|---|
| Middle Tennessee Medical Center Inc | 62-0475842 |

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Lobbying Expenditures During 4-Year Averaging Period

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

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

| | | (a) Yes | (a) No | (b) Amount |
|---|---|---|---|---|
| 1 | During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of | | | |
| a | Volunteers? | | No | |
| b | Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | | No | |
| c | Media advertisements? | | No | |
| d | Mailings to members, legislators, or the public? | | No | |
| e | Publications, or published or broadcast statements? | | No | |
| f | Grants to other organizations for lobbying purposes? | | No | |
| g | Direct contact with legislators, their staffs, government officials, or a legislative body? | | No | |
| h | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | No | |
| i | Other activities? If "Yes," describe in Part IV | Yes | | 10,151 |
| j | Total lines 1c through 1i | | | 10,151 |
| 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 | Lobbying expenses represent the portion of dues paid to national and state hospital associations that are specially allocable to lobbying Middle Tennessee Medical Center 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 |

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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**
Middle Tennessee Medical Center Inc

**Employer identification number**
62-0475842

## 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 | 0 |
| d Additions during the year | 1d | |
| e Distributions during the year | 1e | |
| f Ending balance | 1f | 0 |

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 | | 6,667,698 | | 6,667,698 |
| b Buildings | | 221,521,821 | 18,164,726 | 203,357,095 |
| c Leasehold improvements | | 3,548,614 | 431,730 | 3,116,884 |
| d Equipment | | 76,110,581 | 28,612,953 | 47,497,628 |
| e Other | 2,822,725 | 9,491,936 | 4,078,944 | 8,235,717 |
| **Total.** Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶ | | | | 268,875,022 |

**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) Other Receivables | 2,291,595 |
| (2) Due From Related Entities | 24,048,723 |
| (3) Other Assets | 2,704,991 |
| (4) Contruction in Progress | 825,807 |
| | |
| | |
| | |
| | |
| | |
| **Total.** *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶ | 29,871,116 |

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

| 1 (a) Description of Liability | (b) Amount |
|---|---|
| Federal Income Taxes | |
| Current Self Insurance Liability | 1,457,544 |
| Est 3rd Party Payor Settlement | 5,334,910 |
| Due To Affiliates | 50,196,385 |
| Other Liabilities | 4,486,651 |
| Intercompany Debt to Ascension Health | 63,062,098 |
| Pension Plan Liability | 4,030,495 |
| | |
| | |
| | |
| **Total.** *(Column (b) should equal Form 990, Part X, col (B) line 25 )* ▶ | 128,568,083 |

**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 |
|---|---|---|

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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**
Middle Tennessee Medical Center Inc

**Employer identification number**
62-0475842

## 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<br>☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals<br>☐ 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<br>☐ 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<br>☐ 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 | | No |
| 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) | | | 14,537,414 | | 14,537,414 | 6 730 % |
| b Medicaid (from Worksheet 3, column a) | | | 37,505,675 | 31,614,270 | 5,891,405 | 2 730 % |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d **Total** Charity Care and Means-Tested Government Programs | | | 52,043,089 | 31,614,270 | 20,428,819 | 9 460 % |
| **Other Benefits** | | | | | | |
| e Community health improvement services and community benefit operations (from (Worksheet 4) | | | 8,621 | | 8,621 | 0 % |
| f Health professions education (from Worksheet 5) | | | 106 | | 106 | 0 % |
| g Subsidized health services (from Worksheet 6) | | | | | | |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | 522,870 | | 522,870 | 0 240 % |
| j **Total** Other Benefits | | | 531,597 | | 531,597 | 0 240 % |
| k **Total.** Add lines 7d and 7j | | | 52,574,686 | 31,614,270 | 20,960,416 | 9 700 % |

## 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 | | | | | | |
| 2 | Economic development | | | | | | |
| 3 | Community support | | | 612 | | 612 | 0 % |
| 4 | Environmental improvements | | | | | | |
| 5 | Leadership development and training for community members | | | | | | |
| 6 | Coalition building | | | 4,834 | | 4,834 | 0 % |
| 7 | Community health improvement advocacy | | | 253 | | 253 | 0 % |
| 8 | Workforce development | | | | | | |
| 9 | Other | | | | | | |
| 10 | **Total** | | | 5,699 | | 5,699 | |

## 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 | 4,811,709 | | |
| 3 | Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy | 3 | 1,347,278 | | |
| 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 | 55,262,548 |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 1,935,067 |
| 7 | Subtract line 6 from line 5 This is the surplus or (shortfall) | 7 | 53,327,481 |
| 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 | | | | | |
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| 5 | | | | | |
| 6 | | | | | |
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| 9 | | | | | |
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| 11 | | | | | |
| 12 | | | | | |
| 13 | | | | | |

## Part V Facility Information

### Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

| | Name and address | Licensed hospital | General medical & surgical | Children's hospital | Teaching hospital | Critical access hospital | Research facility | ER-24 hours | ER-other | Other (Describe) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Middle Tennessee Medical Center<br>1700 Medical Center Parkway<br>Murfreesboro, TN 37129 | X | X | | | | | X | | |
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## Part V Facility Information *(continued)*

### Section B. Facility Policies and Practices.

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

**Name of Hospital Facility:** Middle Tennessee Medical Center

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

| | | Yes | No |
|---|---|---|---|
| **Community Health Needs Assessment** (Lines 1 through 7 are optional for 2011) | | | |
| **1** During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 | 1 | | |
| If "Yes," indicate what the Needs Assessment describes (check all that apply) | | | |
| **a** ☐ A definition of the community served by the hospital facility | | | |
| **b** ☐ Demographics of the community | | | |
| **c** ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community | | | |
| **d** ☐ How data was obtained | | | |
| **e** ☐ The health needs of the community | | | |
| **f** ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups | | | |
| **g** ☐ The process for identifying and prioritizing community health needs and services to meet those needs | | | |
| **h** ☐ The process for consulting with persons representing the community's interests | | | |
| **i** ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs | | | |
| **j** ☐ Other (describe in Part VI) | | | |
| **2** Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___ | | | |
| **3** In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted | 3 | | |
| **4** Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI | 4 | | |
| **5** Did the hospital facility make its Needs Assessment widely available to the public? | 5 | | |
| If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) | | | |
| **a** ☐ Hospital facility's website | | | |
| **b** ☐ Available upon request from the hospital facility | | | |
| **c** ☐ Other (describe in Part VI) | | | |
| **6** If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) | | | |
| **a** ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community | | | |
| **b** ☐ Execution of the implementation strategy | | | |
| **c** ☐ Development of a community-wide community benefit plan for the facility | | | |
| **d** ☐ Participation in community-wide community benefit plan | | | |
| **e** ☐ Inclusion of a community benefit section in operational plans | | | |
| **f** ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA | | | |
| **g** ☐ Prioritization of health needs in the community | | | |
| **h** ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community | | | |
| **i** ☐ Other (describe in Part VI) | | | |
| **7** Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs | 7 | | |
| **Financial Assistance Policy** | | | |
| Did the hospital facility have in place during the tax year a written financial assistance policy that | | | |
| **8** Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care? | 8 | | No |
| **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 300 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? _____

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

## Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | Part I, Line 7 The cost of providing charity care, means tested government programs, and community benefit programs is estimated using internal cost data, and is calculated in compliance with Catholic Health Association ("CHA") guidelines The organization uses a cost accounting system that addresses all patient segments (for example, inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured, or self pay) The best available data was used to calculate the amounts reported in the table For the information in the table, a cost-to-charge ratio was calculated and applied |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | Part I, L7 Col(f) The bad debt expense included on Form 990, Part IX, Line 25, Column (a), but subtracted for purposes of calculating the percentage in this column is $12,275,524 |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | Part II Middle Tennessee Medical Center ("MTMC") provided the following community building activities in 2012 - MTMC Mobile Health Unit Collaborative With Murfreesboro City Schools, The Guidance Center of Rutherford County, Primary Care & Hope Clinic, Rutherford County Schools, Adopt-a-Street Church Coalition, Murfreesboro Housing Authority, and Murfreesboro Police Department to provide pediatric, women's, behavioral health, and preventive health services to at-risk-communities This effort has enabled 100% immunization and physicial exam compliance for primary school children of target schools and led to greater access to health services and social resources through monthly health fairs and screening and navigation assistance - Domestic Violence/Rape Recovery MTMC has lead in the creation of a Sexual Assault Response Team for Rutherford County, comprised of law enforcement, academic, social agencies, and other public collaborators and team members in addition to hospital clinicians We have SANE staff and have become a model demonstration and education center for other health professionals and organizations in Middle Tennessee - Health Education Programs and Screenings Monthly and quarterly provision of health screenings, CPR and first aide training, nutrition, and other topics to address overall health needs of communities These programs are conducted by MTMC's Wellness Center, Mobile Health Unit Collaborative, and Education - Prescription Medication Assistance The Dispensary of Hope ("DOH") is a licensed pharmacy that provides free acute prescription medication assistance and long-term medication Patient Assistance Programs to uninsured persons The MTMC Dispensary of Hope provided over 22,000 prescriptions, 10,000 patient visits, $1 million dollars in free medications to patients The DOH is integrated in a charity-based clinic which serves a vulnerable community in Ratherford County - Murfreesboro Coalition for the Latino Community MTMC provides representation on this grass-roots community effort to address the complexity of barriers and issues facing persons - Primary Care and Hope Clinic MTMC provides $114,000 annually to the Primary Care and Hope Clinic to help fund a nurse practitioner position dedicated to the provision of primary care to the uninsured referred by our Emergency Department This objective is to align with Ascension Health's Outcome Measurement #3 to "Demonstrate access and assignment to a Medical Home as evidenced by a documented visit to a Primary Care provider" During the operations of this practitioner 3,100 patients were seen for a total of 1,900 uninsured visits and 1,200 insured visits, uninsured patients demonstrated 3 2 visits per patient - Interfaith Dental Clinic Middle Tennessee Medical Center was anintegral leader in advocating for and helping to bring about through adonation of $10,000 a dental clinic to serve the working poor ofRutherford County -Medical Mission@Home Event MTMC conducted a community-wide health event at community school to provide primary care, dental care, vision care, depression screening, and health education to the uninsured Over 200 individuals were seen, representing over 650 medical service encounters Fiver (5) individuals were provided follow-up diagnostic or surgical services Location for this event was determined by analyzing demographic data of high emergency room utilization of the uninsured and whose care was of a walk-in service need Over 85 associates and physicians volunteered Collaboration occurred with the Rutherford County Schools, Murfreesboro City Schools, Greenhouse Ministries, local faith communities, Middle Tennessee Mobile Dental team, Interfaith Dental Clinic, The Guidance Center, Murfreesboro Police Department, and local businesses |

| 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 Periodically throughout the year, management assesses the adequacy of 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 System 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 the System Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies |

| 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 is not treated as community benefit |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | Part III, Line 9b The organization has a written debt collection policy that also includes a provision on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance If a patient qualifies for charity or financial assistance certain collection practices do not apply |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| Middle Tennessee Medical Center | | Part V, Section B, Line 11h We use presumtive scoring to identify charity accounts |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | Part VI, Line 2 Our community needs assessment is conducted every 3 years, most recently completed in January 2010 The assessment was a collaborative effort across the facilities of Saint Thomas Health including Middle Tennessee Medical Center to provide a comprehensive review of available data and studies around demographic trends, socioeconomic and health status indicators, maternal and infant health issues, major disease prevalence, and health resource utilization and needs It consists of a compilation of public health data as well as the results of a study of the safety net providers in Nashville that included focus groups of 67 key community informants The assessment is focused on the counties in which STHe hospitals are located and helps provide focus and direction for our collective efforts to be responsive to the key health concerns and needs of the communities we serve |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | Part VI, Line 3 Education of eligibility for assistance at Middle Tennessee Medical Center ("MTMC") begins at registration with signage displayed at all reistration points notifying patients that we have a Financial Assistance program, as well as contact information for the patient to use should they need assistance Brochures containing this information are also available for patients at all registration points MTMC registration associates discuss the estimated balance that will be due with both insured and self-pay patients Should the associate identify that the patient may need assistance with that balance he/she will provide the patient with a Financial Assistance application and help them complete it, if needed All self-pay and underinsured patients are screened by MTMC for alternative coverage including Medicaid, SSI/SSD, Cobra, student coverage, and crime victims' compensation If no alternative is identified then an associate will work with the patient to complete a Financial Assistance application Also, contact information is listed on MTMC billing statements for the patient to use in the event they need assistance with their balances Collections associates have been trained to offer patients a Financial Assistance application if needed by the patient MTMC works with third party collection vendors who are required to follow the hospital's Financial Assistance policy Third party vendors are also used to perform "charity scoring", a process that screens incomplete Financial Assistance applications to qualify patients for presumptive charity |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | Part VI, Line 4 Located in Murfreesboro, Tennessee, Middle Tennessee Medical Center (MTMC) primarily serves residents of Rutherford County and secondarily four counties (Bedford, Cannon, Coffee, and Warren) located southeast of Rutherford County MTMC is one of two hospitals in Rutherford County with a population of 259,317 that is expected to grow by 15% over the next five years In this suburban county located southeast of Nashville (Davidson County), 10 2% of the population of the county lives below the poverty level, the median household income is $54,335, and the racial mix is predominately Caucasian (77%) followed by 12% African-American, 6% Hispanic, 3% Asian, and 2% other categories The Secondary Service Area has a population of 159,000 with expected modest growth of 4 7% over the next 5 years Overall, Tennessee residents are rated less healthy than national averages with unfavorable rankings for death rates for cancer, diabetes, heart disease and stroke and unfavorable rankings for risk factors |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | Part VI, Line 5 Middle Tennessee Medical Center ("MTMC") provides a wide variety of benefits to the community such as grief counseling for patients and families, pastoral care, space for community groups to use at no charge, a comprehensive and interactive website for health information and educational resources, and palliative care program and education MTMC has collaborated with the local county health department, primary care providers to the under-served and uninsured, charity organizations, and social service agencies to promote greater effectiveness and collaboration of services and outcomes for persons served Such collaborative leadership has led to greater access to health care and social service resources, minimizing duplication of services, advancing better coordination and navigation of care, and sustainable benefits In addition to health screenings, crisis intervention, disaster readiness and relief, and health education programs, MTMC has aided faith communities to develop congregational health ministries to help address the health and prevention needs of its memberships and communities served Furthermore MTMC provides such programs as Stress Management Program, The Saint Claire Retirement Center partnership, Parent and Child Festival, RealLife 55 programs, Bright Beginnings for Grandparents program, and Homebound Childbirth Class program MTMC also supports community development through membership in a variety of civic organizations and participation in events that benefit not-for-profit organizations serving Murfreesboro and Middle Tennessee, particularly those that share a concern for improving the health of communities Such organizations include the American Cancer Society, American Heart Association, March of Dimes, American Diabetes Association, and the American Red Cross MTMC provides further support to needed programs and organizations that advocate and serve the most vulnerable of the community Domestic Violence Program, Crisis Pregnancy Center, Special Kids, and the Child's Advocacy Center MTMC is also vested in helping to bring charitable dental services to the community through its financial support and collaborative participation and advocacy with the Interfaith Dental Clinic of Nashville, Tennessee |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | Part VI, Line 6 Middle Tennessee Medical Center ("MTMC") is part of the Nashville Health Ministry of Ascension Health, the largest Catholic and not-for-profit health system in the United States and is known locally as Saint Thomas Health ("STHe") STHe is dedicated to providing accessible, quality healthcare to all patients regardless of their ability to pay STHe owns and operates 4 hospitals in Middle Tennessee including Baptist Hospital and Saint Thomas Hospital in Nashville, Middle Tennessee Medical Center in Murfreesboro, and Hickman Community Hospital in Centerville In addition, STHe provides a variety of ambulatory services through the operation of an urgent care center and community primary care clinics, employment and close alignment with physicians, and partnerships to provide diagnostic imaging, sleep lab, and ambulatory surgery services As a system, STHe support a variety of efforts specifically aimed at providing services for persons who are poor, vulnerable or uninsured that include focused medical mission events in low income communities (where associates volunteer their time to provide direct healthcare services), primary care clinics, and a national distribution center and pharmacy to support a network of dispensing sites and direct-to-patient prescription solutions for patients unable to afford their prescriptions STHe actively advocates for healthcare access and coverage for all through ongoing meetings with elected officials (State, Local, and Federal levels) and sponsorship of community events and presentations to increase awareness and educate the public regarding healthcare reform and access STHe helped to form the Safety Net Consortium of Middle Tennessee to address the needs of the uninsured residents of Middle Tennessee Saint Thomas Health Foundations serves as the legal and fiduciary agent to the Consortium The Consortium is governed by a Board of Directors comprised of health care providers and consumer organization members that serve the poor and uninsured |

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**Schedule I (Form 990)**

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

**2011**

**Open to Public Inspection**

Name of the organization
Middle Tennessee Medical Center Inc

**Employer identification number**
62-0475842

## Part I General Information on Grants and Assistance

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

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

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

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

| (a) Name and address of organization or government | (b) EIN | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|---|---|---|---|---|---|---|---|
| (1) Varsity Medics102 Wargo Court Murfreesboro, TN 37128 | 41-4337648 | | 6,000 | | | | To provide medical svcs at Middle Tennessee State Univ football games |
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2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . ▶ 0

3 Enter total number of other organizations listed in the line 1 table . . . ▶ 1

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

| (a) Type of grant or assistance | (b) Number of recipients | (c) Amount of cash grant | (d) Amount of non-cash assistance | (e) Method of valuation (book, FMV, appraisal, other) | (f) Description of non-cash assistance |
|---|---|---|---|---|---|
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**Part IV** **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

| Identifier | Return Reference | Explanation |
|---|---|---|
| Procedure for Monitoring Grants in the U S | Part I, Line 2 | Schedule I, Part I, Line 2 A request is made to the receiving organization to send a report of the efficacy of the project the grant has funded - at minimum, the number of persons served and some of their demographics, but also any qualitative measures the receiving agency uses to measure success (reading levels improved, jobs successfully obtained after training, etc ) The reports are reviewed by the Mission Integration Team in a broad manner upon receipt, and are more thoroughly scrutinized if the grant recipient comes back to ask for a renewal or another grant |

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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**
Middle Tennessee Medical Center Inc

**Employer identification number**
62-0475842

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

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

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

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

| (A) Name | | (B) Breakdown of W-2 and/or 1099-MISC compensation | | | (C) Retirement and other deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported in prior Form 990 or Form 990-EZ |
|---|---|---|---|---|---|---|---|---|
| | | (i) Base compensation | (ii) Bonus & incentive compensation | (iii) Other reportable compensation | | | | |
| (1) Mike Schatzlein MDSch O | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 745,734 | 339,375 | 123,553 | 4,900 | 32,538 | 1,246,100 | 0 |
| (2) Gordon B Ferguson | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 327,017 | 86,252 | 74,599 | 42,708 | 22,033 | 552,609 | 0 |
| (3) Pamela Hess | (i) | 153,651 | 10,000 | 18,731 | 3,162 | 10,697 | 196,241 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (4) Elizabeth Lemmons | (i) | 203,685 | 43,126 | 51,934 | 21,852 | 19,494 | 340,091 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) Kelly Miles | (i) | 145,429 | 15,000 | 16,180 | 0 | 7,192 | 183,801 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (6) Sheila Pertiller MD | (i) | 303,524 | 30,978 | 235 | 0 | 11,495 | 346,232 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (7) David Sellers MD | (i) | 269,099 | 35,000 | 238 | 0 | 25,027 | 329,364 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (8) Kecia Badem MD | (i) | 271,692 | 35,000 | 252 | 0 | 13,398 | 320,342 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (9) Sally Bullock MD | (i) | 249,891 | 0 | 1,032 | 0 | 3,191 | 254,114 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (10) William Brown MD | (i) | 183,306 | 45,224 | 49,246 | 0 | 14,416 | 292,192 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (11) Michael Bratton | (i) | 54,658 | 0 | 123,479 | 553 | 2,977 | 181,667 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
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## 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 |
|---|---|---|
| | Part I, Line 1a | Club Dues were paid on behalf of an officer The amount paid was treated as taxable compensation to the listed individual |
| | Part I, Line 3 | Saint Thomas Health, a related organization of Middle Tennessee Medical Center, uses the following to establish the compensation of the organization's CEO/Executive Director -Compensation Committee -Independent Compensation Consultant -Written Employment Contract -Compensation Survey or Study -Approval by the Board or Compensation Committee |
| | Part I, Line 4b | These 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 No contributions to or distributions from the supplemental nonqualified retirement plan were made in the current year |

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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
Middle Tennessee Medical Center Inc

**Employer identification number**
62-0475842

| Identifier | Return Reference | Explanation |
|---|---|---|
| Explanation of Attached Audited Financial Statements | Form 990, Part IV, Line 20b | The financials statements of Saint Thomas Health, which include the activity of Middle Tennessee Medical Center, fall under the specific scope audit The activity of Middle Tennessee Medical Center and other member of Saint Thomas Health are reported in the consolidated financial statements of Ascension Health No individual audit of Middle Tennessee Medical Center is completed Therefore, the attached audited financial statements are of Ascension Health and Affiliates (which include the activity of Middle Tennessee Medical Center) |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | Form 990, Part VI, Section A, line 2 | Many of the persons listed on Part VII have a "business relationship" with each other by virtue of sitting on related Saint Thomas Health entity boards |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | Form 990, Part VI, Section A, line 6 | Middle Tennessee Medical Center, Inc has a single corporate member, Saint Thomas Health |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | Form 990, Part VI, Section A, line 7a | Middle Tennessee Medical Center, Inc has a single corporate member, Saint Thomas Health, who has the ability to elect members to the governing body of the Middle Tennessee Medical Center, Inc |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | Form 990, Part VI, Section A, line 7b | All decisions that have a material impact to Middle Tennessee Medical Center's financial information or corporation as a whole are subject to approval by its sole corporate member, Saint Thomas Health Ascension Health, the sole corporation member of Saint Thomas 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, and system policies & procedures These areas are subject to certain levels of approval by Ascension per the system authority matrix |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | 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 |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | 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 conflict 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 |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | Form 990, Part VI, Section B, line 15 | In determining the compensation of the organization's CEO, the process, performed by Saint Thomas Health, a related organization of Middle Tennessee Medical Center, the HR Compensation does review market data provided by third party consultants and considers those sources in the internal evaluation, equity comparison and eventual grading of positions, comparability data, and contemporaneous substantiation of the deliberation and decision The audit committee reviewed and approved the compensation In the review of the compensation, the CEO was compared to individuals at other hospitals in the area who hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the board minutes The individual was not present when his compensation was decided In determining the compensation of other officers or key employees of the organization, the process, performed by Saint Thomas Health, a related organization of Middle Tennessee Medical Center, the HR Compensation does review market data provided by third party consultants and considers those sources in the internal evaluation, equity comparison and eventual grading of positions, comparability data, and contemporaneous substantiation of the deliberation and decision The audit committee reviewed and approved the compensation In the review of the compensations, the other officers or key employees of the organization were compared to individuals at other organizations in the area who hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the board minutes |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | Form 990, Part VI, Section C, line 19 | The organization will provide any documents open to public inspection upon request |

| Identifier | Return Reference | Explanation |
|---|---|---|
| Explanation of Board Members Compensation | Form 990, Part VII, Section A | Mike Schatzlein receives compensation from Saint Thomas Health, a related organization of Middle Tennessee Medical Center The compensation he receives is for his role at Saint Thomas Health and not for his role as a director of Middle Tennessee Medical Center |

| Identifier | Return Reference | Explanation |
|---|---|---|
| Changes in Net Assets or Fund Balances | Form 990, Part XI, line 5 | Deferred Pension Costs 5,689,707 Pension Costs - Other -4,015,793 Temporary Restricted - Contributions/Release restrict 1,659,101 Total to Form 990, Part XI, Line 5 3,333,015 |

| Identifier | Return Reference | Explanation |
|---|---|---|
| Community Benefit Report | Form 990, Part III | Middle Tennessee Medical Center Member of the Nashville Health Ministry of Ascension Healt h Care of Person Effected by Poverty and Community Benefit Plan For Fiscal Year 2012 This plan illustrates the significant degree to w hich Middle Tennessee Medical Center (MTMC) co ntributes to the positive health status of the communities it serves As a member of Ascen sion Health, the nation's largest Catholic healthcare system, MTMC continues to build and strengthen sustainable collaborative efforts that benefit the health of individuals, famil ies, and society as a w hole The goal of MTMC is to perpetuate the healing mission of the Church MTMC furthers this goal through delivery of patient services, care to the vulnerab le populations such as the elderly and indigent, patient education and health aw areness pr ograms for the community, and medical research Our concern for all human life and the dig nity of each person leads the health ministry to provide medical services to all people in the community w ithout regard to the patient's race, creed, national origin, economic stat us, or ability to pay Middle Tennessee Medical Center develops a Care of the Persons Effe cted by Poverty and Community Benefit Plan (CPCB) annually to focus our charitable, commun ity activities on the needs of the people w e serve We seek through action to touch the li ves of individuals in our community in a w ay that is faithful to our healing mission and d irectly impacts healthy outcomes We assess our community's needs to identify priorities f or the health ministry's service and guide our community outreach initiatives Furthermore , w e seek collaborations in order to foster sustainability of our efforts and increase ove rall impact Finally, w e commit the provision of resources to address the priority needs, including financial and human resources This CPCB is developed through careful discernmen t and strategic planning of the follow ing groups of MTMC Senior Leadership Team, Key Comm unity Stakeholders, and Community Benefit Task Force This process insures the priority So lidarity w ith the Poor has w ithin the strategic and operational activities of the health m inistry, proper alignment w ith overall Integrated Strategic Operational Financial Plan (IS OFP) of Saint Thomas Health (STHe) and MTMC, and the leadership vision of the Chief Execut ive Officer and President of MTMC In order to portray the full breadth of our CPCB, the f ollow ing information is described below Organizational Commitment to Providing Community Benefit Middle Tennessee Medical Center is a 286-bed private, not-for-profit acute care h ospital located in Murfreesboro, Tennessee MTMC is part of Saint Thomas Health, the Nashv ille Health Ministry of Ascension Health, w hich consists of four hospitals in Middle Tenne ssee Baptist and Saint Thomas Hospitals in Nashville, Middle Tennessee Medical Center in Murfreesboro, and Hickman Community Hospital in Centerville The hospital serves the city of Murfreesboro, Rutherford County and surrounding constituent counties of Bedford, Cannon , Coffee, and Warren MTMC seeks to improve the physical, mental, social and spiritual hea lth status of the community it serves MTMC's Mission stresses a particular commitment to the poor and vulnerable, seeking to contribute to the greater effectiveness of the communi ty's health safety net to those w ho are uninsured and under-insured In the spirit of prin ciples adopted by Ascension Health, MTMC has taken proactive steps to address those issues that w ill affect accessibility, the financing, and the delivery of healthcare to all pers ons, especially the uninsured, underinsured, and the underserved As a part of our mission in the community, MTMC recognizes it is necessary to provide care to certain patients at little or no cost We recognize that some of our patients may not have health insurance or may not be able to pay unexpected medical bills As a faith-based organization, w e make p rovisions to offer financial assistance to our patients in need and do this because w e bel ieve that every person should get the care they need, regardless of their ability to pay The table below represents FY11 budget projections related to overall charity care and com munity benefit activities Traditional Charity Care (Category I) $13,216,599** Unreimburse d Costs of Public Programs (Category II) $6,463,569** Other Programs for Persons Who Are P oor (Category III) $486,000* Other Programs for the General Community (Category IV) $17,50 0 Unpaid Cost of Medicare Program (Category VI) -$1,820,918 * This includes resources util ized for the MTMC Dispensary of Hope, #8255 and accounts #741121, #741122, #741128 ** Net Costs, Hospital only Uninsured patients are provided a discount from charges of 3% Char ity care or financial assistance allow ances are granted to patients w ho qualify for financ ial assistance The financial assistance standards consider gross income and family size r elative to the Poverty Income Guidelines (PIG) pub |

| Identifier | Return Reference | Explanation |
|---|---|---|
| Community Benefit Report | Form 990, Part III | lished by the Community Services Administration Using these guidelines, full charity care is provided to patients who are 200% of the poverty index or less, a graduated discount s cale is used for providing financial assistance to patients at or below 300% of the povert y index Charity care and financial assistance adjustments are available for medically nec essary services but not for non-essential services, such as cosmetic services A patient w ill not be refused medically necessary treatment or services based on their ability to pay for those services These policies and procedures are communicated to patients and famili es in a variety of w ays Pamphlets outlining the financial assistance program are availabl e in the registration area for patients These are reinforced by posters that are prominen tly displayed throughout the registration area In addition, for all self-pay patients or patients w ith residual balances on their hospital bill, a Financial Counselor/Representati ve w ill initiate a patient advocacy conversation to screen patients to help identify those individuals that might qualify for federal, state, or local program assistance as well as our financial assistance program Major Trends, Needs, and Problems in the Community In order to define and develop targeted outcomes, MTMC conducts a community needs assessment every three (3) years Our last community needs assessment w as developed in 2009 and serve d to provide strategic guidance for the FY10, FY11, and FY12 CPCB's This assessment is a collaborative process w ith the Ascension Health Access Leadership Team in conjunction w ith Saint Thomas Health, the Wellness Council of Rutherford County, the United Way of Rutherf ord County, Middle Tennessee State University, and the Community Forum of Rutherford Count y The service area and communities served by Middle Tennessee Medical Center reach out ne arly fifty miles from Murfreesboro across Middle Tennessee, 5 counties all together The p opulation of this area is approximately 383,000 w ith an expected growth rate of 11% over t he next five years Over half (60%) of this population resides w ithin Rutherford County T he most rapidly grow ing age group is that of 35-45 year olds, representing 32% of the enti re population This age group represents families w ith young children How ever, the Census 2000 numbers paint a picture of an increasingly diverse community for Rutherford County - Rutherford County grew by 53 5% betw een 1990 and 2000, boosted by increases in all minor ity populations - Non-Hispanic w hites account for more than 84 5% of Rutherford County re sidents African-Americans account for 10% Asian persons make up 1 9%, w ith an increase o f 200% from 1990 Hispanics account for 3%, an increase of over 500% (969 total population to 5,324) - Over 17,000 persons, or 9% of the population of Rutherford County, live in h ouseholds w here the income level is below the federal poverty level The rate is nearly th e same for the youngest and oldest residents 8 9% for children under 18 years of age and 9 4% for those aged 65 and older Within the other 4 counties served by Middle Tennessee M edical Center (many of w hich represent rural communities), almost 18,000 persons, or an av erage of 15% of these counties population live in households w here the income level is bel ow the federal poverty level This is a total of 25,000 person or 8% of the total aggregat e population of our service area |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | | Rutherford County is one of the fastest growing counties in the United States and the City of Murfreesboro in particular A rural atmosphere, a state university, industry, and repu table schools make this an attractive location for families with young children Approxima tely 26% of the county's population is under the age of 18, nearly 8% are age 65 and older The greatest shortfalls when comparing needs and available services are in the areas of poverty, housing assistance, childcare, family dysfunction, mental illness, and substance abuse Priority challenges for Rutherford County in comparison to other Tennessee counties are high binge drinking rate, high rate of sexually transmitted diseases, relatively hig h violent crime cases, and high index of air quality cancer risk and hazard There are not ed challenges and hardship facing the growing Hispanic/Latino population of Rutherford and surrounding counties Due to the rural and agricultural environment, many Hispanic/Latino persons are illegal immigrants This status and associated concerns make the access and a ffordability of health care extremely difficult An increased sense of vulnerability and r isk accompanies persons seeking healthcare In addition, there is a great demand for inter pretative services Overall, the Hispanic/Latino population feels isolated, underserved, a nd medically challenged Prenatal, OBGyn, and post-natal care are significant areas of nee d In general, the health of Tennessee's population is poor when compared to other states evaluating overall health risk factors (such as high blood pressure, weight, physical acti vity, diet/nutrition, smoking, seat belt use, and alcohol consumption), which could help e xplain why Tennessee's cardiovascular disease death rate is the second highest in the nati on (Tennessee Health Status Report, 2000) The Community Wellness Council of Rutherford Co unty has identified these top priorities as part of the state's commitment to Healthy Peop le 2010 cardiovascular disease, teen substance abuse, childhood obesity, diabetes, and la ck of coordination/duplication of services for children, youth, and families, and sexually transmitted diseases In addition to these identified priorities, the Community Forum not ed the following emerging trends, especially in light of current economic challenges - Ab sence of safety-net for persons post 21 years of age - All agencies experiencing an increa se of 120-150% request for services - Unemployed, middle class now accessing services - In creasing trends in number of homelessness, especially teens - "Big 8" crime incidents up 4 % in immediate MTMC surrounding neighborhoods - Central Middle School notes an increase of students on free/reduce meals from 10% to 62%, increase in ethnic minorities from 7% to 6 3%, estimated 150 students impacted by homelessness - Murfreesboro Housing Authority has 1 ,200 families on waiting list for section 8 housing - Expected 7,000-9,000 to be disenroll ed from TennCare due to budget crisis - Increase issues with teens at risk for alcohol and drug abuse/dependency, violence, and stress - Department of Children Services for Rutherf ord County has 140-200 referrals per month, 107 children in foster care - Greenhouse Minis tries saw 15,000 visits for services in 2008 - Department of Human Services provided $3M i n food stamps in 2008, averaging 150 appointments per day In light of the community needs and asset data referenced above, MTMC's FY11 Care of the Poor and Community Benefit Plan e mphasizes the following general arenas of activities - Primary Care - Preventive Health, Wellness, and Drug/Alcohol Prevention - Diabetes and Obesity Education - Prescription Medi cation Assistance Strategies to Address Identified Needs 1 Access - Improve access to ca re for the poor and medically underserved by developing and supporting a safety net of ser vices Focus Inpatient and Outpatient Services Provide inpatient and outpatient services to those patients unable to pay MTMC provides services, both inpatient and outpatient, to those patients w ho are unable to pay Hospital departments donate services to patients and their families in need to facilitate care delivery at the hospital after discharge Examp les include free lodging at local hotels, meals for family members, cab fares, and prescri ption drugs MTMC also provides free services to the uninsured and underinsured under the care of the Primary Care & Hope Clinic of Murfreesboro (such as X-rays, general surgery, a nd volunteer hours by medical staff) Major Initiatives - Traditional charity care - Dona ted services by hospital departments - Services to the Primary Care & Hope Clinic of Ruthe rford County averaging $24,000 monthly in donated services Focus Safety Net for the Unins ured and Underinsured with particular focus upon the Hispanic/Latino Immigrant Population Expand our commitment to care for the uninsured and underinsured Middle Tennessee Medical Center is a member of the Wellness Council of Ruth |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | | erford County, which is a consortium of private and county agencies who seek to serve thro ugh collaborative efforts the pressing health issues facing the larger community and parti cularly the most vulnerable and needy - the uninsured, underinsured, elderly, and children Major Initiatives - Dispensary of Hope Licensed indigent pharmacy that provides free m edication for acute and long-term needs, funded by MTMC ($217,000 annually) In FY12 the MTMC Dispensary of Hope provided 22,000 prescriptions, 10,000 patient visits, $1 million d ollars in free medications to patients - The Mobile Health Unit Collaborative Primary Ca re, Behavioral Health, and preventive health, wellness promotion, and health education ini tiative comprised of MTMC, Community Anti-Drug Coalition of Rutherford County, Murfreesbor o City Schools, Murfreesboro Housing Authority, The Guidance Center of Rutherford County, and Rutherford County Schools, and Murfreesboro Police Department that targets schools wit h high free/reduce meal student participation ($57,000 annually) MTMC makes provision of the Mobile Health Unit, underwrites supply costs, assists in fees related to uninsured ca re, and underwrites the Coordinator of Health Services salary - Primary Care and Hope Cli nic MTMC provides $117,000 annually to the Primary Care and Hope Clinic to help fund a nu rse practitioner position dedicated to the provision of primary care to the uninsured refe rred by our Emergency Department This objective is to align with Ascension Health's Outco me Measurement #3 to "Demonstrate access and assignment to a Medical Home as evidenced by a documented visit to a Primary Care provider" During the operations of this practitioner 3,100 patients w ere seen for a total of 1,900 uninsured visits and 1,200 insured visits, uninsured patients demonstrated 3 2 visits per patient - Medical Mission @ Home Event MT MC conducted a community-wide health event at community school to provide primary care, de ntal care, vision care, depression screening, and health education to the uninsured Over 200 individuals w ere seen, representing over 650 medical service encounters Five (5) indi viduals w ere provided follow-up diagnostic or surgical services Location for this event w as determined by analyzing demographic data of high emergency room utilization of the unin sured and whose care w as of a walk-in service need Over 85 associates and physicians volu nteered - Atlas Program - Parents as Teachers Program 2 Collaborations- Increase the eff ectiveness of community initiatives to impact key areas of need through supportive partner ship and organizational leadership Middle Tennessee Medical Center stewards 80 years of s ervice to its communities The history of this leadership has cultivated deep roots and le adership capital We will seek partnerships with local charitable agencies whose work is t argeted at identified priority needs, lending to that w ork greater stability, public aw are ness, and effective outcomes These four areas have been identified based on community nee ds assessments |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | | - Domestic Violence/Rape Recovery MTMC has lead in the creation of a Sexual Assault Respo nse Team for Rutherford County, comprised of law enforcement, academic, social agencies, a nd other public collaborators and team members in addition to hospital clinicians We have SANE staff and have become a model demonstration and education center for other health pr ofessionals and organizations in Middle Tennessee MTMC underw rites the training for these individuals annually ($3,000) - Saint Rose Catholic School provision of $3,500 to assis t underprivileged children and children w ith congenital medical issues w ith tuition schola rships - Murfreesboro Coalition for the Latino Community MTMC provides representation on this grass-roots community effort to address the complexity of barriers and issues facing persons - Interfaith Dental Clinic provision $10,000 for their capital campaign tow ards their new facility - United Way of Rutherford and Cannon Counties provision of $10,000 f or their annual corporate campaign 3 Community Health- Improve the overall health status by promoting the integration of spirituality, w ellness, and healthy living Focus Wellnes s/Lifestyle Support health management programs aimed at improving health and w ell-being MT MC is committed to providing educational and w ellness opportunities that contribute tow ard promoting all aspects of health community health, personal health, disease management, a nd spirituality Our efforts continue to w ork w ith individuals and the community to look f or w ays to improve the health and w ellness of the community and to make an impact on the n egative health trends in our community Major Initiatives - The MTMC Wellness Center Heal th Education Program - Congregational Health Ministry initiative w ith congregations servin g impoverished communities and Congregational-based health fairs - Infant Loss Support Gro up - General Loss Support Group - Stress Management Program - The Saint Claire Retirement Center Partnership - Parent and Child Festival - RealLife 55 Programs - Bright Beginnings for Grandparents Program - Homebound Childbirth Class Program - Habitat for Humanity Homeo w ners Education Program Focus Education/Skill Development Support efforts that address ed ucational and skill development needs that enable people to improve their lives and suppor t a reasonable quality of life Recognizing the challenges faced by the unemployed and w ork ing poor of our community, Middle Tennessee Medical Center has developed and supports a va riety of programs designed to offer participants opportunities to increase their basic ski lls for personal growth and better job performance, offer tuition for assistance for GED c lasses, and provide career services that can help move individuals from jobs w ith little a dvancement opportunity to those w ith higher potential for advancement These efforts inclu de programs aimed at improving the quality of life for individuals in our community as w el l as our ow n employees In addition, MTMC supports other community educational programs M ajor Initiatives - Exchange Club Parenting Center - Job Skills Program - Families First P rogram - Career Shadow ing Program - Boys and Girls Club of Rutherford County - HealthStyle s program - Corporate Connections Academy Program - Corporate sponsor for Hollow ay High Sc hool, alternative school for at-risk teens Focus Community Development Support programs/a gencies particularly those that support our clinical areas of focus Cardiac, Emergency Se rvices, Maternal/Child, Orthopedics, Neurosciences, Vascular, Oncology, and Research MTMC also supports community development through membership in a variety of civic organizations and participation in events that benefit not-for-profit organizations serving Murfreesbor o and Middle Tennessee, particularly those that share a concern for improving the health o f communities In review ing funding requests, priority has been given to those organizatio ns that support our clinical areas of focus and development Major Initiatives - Variety of corporate sponsorships including American Cancer Society, American Heart Association, M arch of Dimes, American Diabetes Association, American Red Cross, Special Kids, Department of Children's Services - Support for needed community organizations such as the Primary Care & Hope Clinic of Rutherford County, the Fellowship of Christian Athletes of Rutherfor d County, and United Way, Boy Scouts, Destination Rutherford, Chamber of Commerce, and the Better Business Bureau Focus MTMC Employee Activities Committee Employees of MTMC are e ncouraged to offer service to others in a w ay that supports individual growth, promotes co mmunity partnering, and improves the quality of life for all w e serve Their volunteer eff orts are central to MTMC's support and participation in many of the major initiatives ment ioned in this plan They provide the stimulus for many projects and events that contribute tow ard accomplishing our priorities for the healt |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | | h ministry's service to the poor and the general w ellbeing of our community Major Initiat ives - Event Sponsorships such as the Foundation 5K and 2 Mile Walk, Relay for Life, Marc h of Dimes Walk, The Heart Walk, Tour de Cure, American Red Cross Blood Drives, the West M ain Shelter, Habitat for Humanity w ork days, Jazz Fest, Child Advocacy Center's Duck Derby , and Kids Expose - Various Community Benefit Events Each year MTMC associates, departme ntal teams, and divisions identify a target need or organization in the community that pro vides needed services or programs to vulnerable populations These activities range from f undraising events, drives, w alks, service days, and aw areness-raising efforts For FY12 MT MC Associates provided $30,000 in such community benefit activities salary costs, food cos ts, in room costs, in kind, etc 4 Advocacy- Increase aw areness of local city and county governmental leaders, boards, and departments of health needs/issues and related concerns that impact healthcare delivery and community w ellness and become a more public leader in shaping priorities, local policies/rules, and attitudes Middle Tennessee Medical Center h as further identified three crucial issues facing the communities w e serve These issues a re noted for their potential in addressing underlying structural impediments and represent ation of a truly systems approach to solving community problems related to healthcare acce ss and delivery MTMC's membership in the Wellness Committee of Rutherford County w ill be a major arena for action and leadership The tw o significant issues to be targeted are - Access to Urgent Care - Access to Specialty Care In addition, MTMC w ill continue to facili tate and host dialogue forums w ith local faith communities and organizations to discuss th e top health concerns of the county, access barriers, and visioning for collaboration to c reate a more effective healthcare safety net Expanding Aw areness, Education, and Health P romotion MTMC believes that it is essential to educate people regarding the types of behav ior that improve their chances of living a healthy life MTMC has invested significantly i n unique, top quality health education and materials to accomplish its goals including the follow ing programs - Breast Cancer Aw areness & Prevention - Diabetes Aw areness & Prevent ion - Aw areness and Education on Blood Pressure plus Screening - Understanding Medicare Pa rt D - Childbirth Preparation and New born Care Classes - Medical Terminology classes - 55 Alive Mature Driving Courses - Car Seat Safety Classes - Heart Healthy Cooking - Heart Hea lth for Women - Hanging w ith Dad - Smoking Cessation Course - Infant Loss Support Group - Grief and Loss Support Group - Weight Loss and Weight Health Courses - You and Diabetes - Workplace Spirituality MTMC provides a complete listing of all classes, seminars, and even t calendars on its w ebsite (w w w mtmc org) and offers an on-line childbirth preparation and new born care class Furthermore, there is a provision of links to further on-line researc h and education of holistic, health-related topics, issues, and concerns In particular, M TMC has teamed up w ith Discovery Hospital, an easy-to-use w eb site that contains a vast li brary of medical information The site allow s searches about a specific medical condition or use of Health Tools to check your Body Mass Index or make a risk assessment for a parti cular disease |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | | Medical Education MTMC believes that, in order to provide the best health care to the community, its clinical personnel must receive ongoing medical education including the following - Quarterly Ethics Grand Rounds - Annual Ethics Conference - Critical Care Course - Monthly CMEs - Quarterly Skills Fair Operations and Governance MTMC - operates an emergency room that is open to all persons regardless of ability to pay, - has an open medical staff with privileges available to all qualified physicians in the area, - has a governing body in which independent persons representative of the community comprise a majority, - engages in the training and education of health care professionals, and - participates in Medicaid, Medicare, CHAMPUS, Tricare, and/or other government-sponsored health care programs Patient Services MTMC provides the following in-patient and out-patient medical services to the community - Bariatric Services - Cancer Care - Cardiac Services - Community Education and Outreach - Diagnostic Services - Dispensary of Hope - Emergency Services - Endocrinology - Gastroenterology - General Medicine - General Surgery - Hospital-based services- including Anesthesiology, Pathology, and Radiology - Mobile Health Unit Services - Neurosciences - Orthopedic Services - Otolaryngology - Pulmonary Medicine - Palliative Care - Rehabilitation Services - Sports Medicine - Urology - Vascular Services - Wellness Center - Women and Children's Services- including Obstetrics, Gynecology, and Neonatology - Wound Care Some of the services listed above operate at a loss in order to ensure that all services are available to meet community health care needs These include - Dispensary of Hope - a state licensed pharmacy which provides free prescription medication assistance - Mobile Health Unit Services - provision of primary care and pediatric health services to the uninsured and underinsured through a community collaboration During the fiscal year ending June 30, 2012, MTMC provided the following volumes of services Discharges - Acute Care Patient Days - Acute Care Births Newborn Patient Days Emergency Room Visits Surgical Visits - Outpatient Other Outpatient Visits Financial Information The financial information presented below was prepared in accordance with the Catholic Health Association's (CHA) community benefit reporting guidelines These guidelines recommend the following - Report charity care at cost, not charges - Do not include bad debt, contractual allowances, and quick pay discounts as part of charity care expense - Do not count Medicare shortfall as a community benefit - Report the net expense for community benefit services, i e , the total community benefit expense minus any associated revenue from patients, payers, and other external sources The CHA reporting guidelines reflect a conservative approach to reporting quantifiable community benefit The goal of the reporting guidelines is to produce community benefit financial reports that reflect true costs and that describe community benefit activities that increase access to health care and improve community health |

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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**
Middle Tennessee Medical Center Inc

**Employer identification number**
62-0475842

## 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 |
|---|---|---|---|---|---|
| (1) MTMC Hospitalist Services LLC<br>400 North Highland Avenue<br>Murfreesboro, TN 37219<br>62-1792824 | Employs Hospitalists | TN | 2,371,755 | 5,833,140 | Middle Tennessee Medical Center Inc |
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## Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Exempt Code section | (e) Public charity status (if section 501(c)(3)) | (f) Direct controlling entity | (g) Section 512(b)(13) controlled organization | |
|---|---|---|---|---|---|---|---|
| | | | | | | Yes | No |
| See Additional Data Table | | | | | | | |
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**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) Disproprtionate 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)** Baptist Womens Health Center LLC<br>1900 Church Street Suite 300<br>Nashville, TN 37203<br>62-1772195 | Owns and Operates Specialty Hospital | TN | N/A | | | | | | | | | |
| **(2)** Middle Tennessee Ambulatory Surgery Center LP<br>500 N Highland Ave<br>Murfreesboro, TN 37130 | Operates Outpatient Surgery Center | TN | Middle Tennesee Medical Center Inc | Related | | | | No | | Yes | | 35 000 % |
| **(3)** St Thomas Research Institute LLC Cardiology Series<br>102 Woodmont Blvd<br>Nashville, TN 37205<br>26-4591782 | Cardiology Research | TN | N/A | | | | | | | | | |
| **(4)** STHS Sleep Center LLC<br>102 Woodmont Suite 800<br>Nashville, TN 37219<br>20-3664894 | Operates a Sleep Center | TN | N/A | | | | | | | | | |
| **(5)** Baptist Surgery Center LP<br>1900 Church Street Suite 300<br>Nashville, TN 37203 | Operates Outpatient Surgery Center | TN | N/A | | | | | | | | | |
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**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)** Sova Inc<br>102 Woodmont Boulevard Suite 700<br>Nashville, TN 37205<br>26-1319638 | Health Services | TN | N/A | C | | | |
| **(2)** Vincentian Ventures Inc<br>PO Box 380<br>Nashville, TN 37202<br>62-1331896 | Health Services | TN | N/A | C | | | |
| **(3)** St Thomas Medical Clinic<br>4220 Harding Road<br>Nashville, TN 37205<br>62-1583605 | Health Services | TN | N/A | C | | | |
| **(4)** Baptist Health Care Ventures Inc<br>2000 Church Street<br>Nashville, TN 37236<br>62-0469214 | Holding Company | TN | N/A | C | | | |
| **(5)** Middle Tennessee Network Inc<br>2000 Church Street<br>Nashville, TN 37236<br>62-1570989 | Health Services | TN | N/A | C | | | |
| **(6)** MissionPoint Health Partners<br>102 Woodmont Boulevard Suite 700<br>Nashville, TN 37205<br>45-2958482 | Accountable Care Organization | TN | N/A | C | | | |
| | | | | | | | |

## 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 | | No |
| **q** Other transfer of cash or property to related organization(s) | 1q | Yes | |
| **r** Other transfer of cash or property from related organization(s) | 1r | Yes | |

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

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

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

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

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

Return to Form

**Software ID:**
**Software Version:**
**EIN:** 62-0475842
**Name:** Middle Tennessee Medical Center Inc

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

| (a) Name, address, and EIN of related organization | (b) Primary Activity | (c) Legal Domicile (State or Foreign Country) | (d) Exempt Code section | (e) Public charity status (if 501(c)(3)) | (f) Direct Controlling Entity | g Section 512(b)(13) controlled organization | |
|---|---|---|---|---|---|---|---|
| Ascension Health<br><br>PO Box 45998<br>St Louis, MO 63134<br>31-1662309 | National Health System | MO | Section 501(c)(3) | Schedule A, Line 11a | Ascension Health Alliance | | No |
| Saint Thomas Health<br><br>4220 Harding Road<br>Nashville, TN 37205<br>58-1716804 | System Parent | TN | Section 501(c)(3) | Schedule A, Line 11c | Ascension Health | | No |
| Saint Thomas Hospital<br><br>4220 Harding Road<br>Nashville, TN 37205<br>62-0347580 | Hospital | TN | Section 501(c)(3) | Schedule A, Line 3 | Saint Thomas Health | Yes | |
| Saint Thomas Network<br><br>4220 Harding Road<br>Nashville, TN 37205<br>62-1284994 | Health Investment Entity | TN | Section 501(c)(3) | Schedule A, Line 9 | Saint Thomas Health | Yes | |
| Saint Thomas Health Foundations<br><br>PO Box 380<br>Nashville, TN 37202<br>58-1663055 | Operates Foundation | TN | Section 501(c)(3) | Schedule A, Line 7 | Saint Thomas Network | Yes | |
| Covenant Care Inc<br><br>102 Woodmont Blvd Suite 800<br>Nashville, TN 37205<br>62-1695737 | Inactive | TN | Section 501(c)(3) | Schedule A, Line 11a | Saint Thomas Network | Yes | |
| Middle Tennessee Medical Center Foundation<br><br>1700 Medical Center Parkway<br>Murfreesboro, TN 37219<br>62-1167917 | Foundation | TN | Section 501(c)(3) | Schedule A, Line 11a | Middle Tennessee Medical Center Inc | Yes | |
| Seton Corporation<br><br>4220 Harding Road<br>Nashville, TN 37205<br>62-1869474 | Acute Care Hospital | TN | Section 501(c)(3) | Schedule A, Line 3 | Saint Thomas Health | Yes | |
| Baptist Hospital Foundation of Nashville Inc<br><br>2000 Church Street<br>Nashville, TN 37236<br>58-1861378 | Inactive | TN | Section 501(c)(3) | Schedule A, Line 11a | Seton Corporation | Yes | |
| Baptist Health Care Affiliates Inc<br><br>2000 Church Street<br>Nashville, TN 37236<br>58-1509251 | Community Health Promotion | TN | Section 501(c)(3) | Schedule A, Line 11a | Seton Corporation | Yes | |
| Baptist Health Care Group<br><br>2000 Church Street<br>Nashville, TN 37236<br>62-1529858 | Healthcare Provider | TN | Section 501(c)(3) | Schedule A, Line 3 | Seton Corporation | Yes | |
| Baptist Saint Thomas Home Care<br><br>2000 Church Street<br>Nashville, TN 37236<br>51-0172298 | Inactive | TN | Section 501(c)(3) | Schedule A, Line 9 | Seton Corporation | Yes | |
| Hickman Community Health Care Services Inc<br><br>135 East Swan Street<br>Centerville, TN 37033<br>58-1737573 | Hospital | TN | Section 501(c)(3) | Schedule A, Line 3 | Baptist Healthcare Affiliates Inc | Yes | |
| Hickman Community Home Care Inc<br><br>135 East Swan Street<br>Centerville, TN 37033<br>62-1836937 | Home Health Care | TN | Section 501(c)(3) | Schedule A, Line 9 | Hickman Community Health Care Services Inc | Yes | |

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

| | (a) Name of other organization | (b) Transaction type(a-r) | (c) Amount Involved ($) | (d) Method of determining amount involved |
|---|---|---|---|---|
| (1) | Saint Thomas Health | R | 88,998,267 | Actual Amount Transferred |
| (2) | Saint Thomas Hospital | Q | 134,491,128 | Actual Amount Transferred |
| (3) | Saint Thomas Network | R | 253,497 | Actual Amount Transferred |
| (4) | Saint Thomas Health Foundations | C | 124,665 | Actual Amount Transferred |
| (5) | Seton Corporation | R | 1,805,743 | Actual Amount Transferred |
| (6) | Baptist Health Care Group | Q | 1,660,080 | Actual Amount Transferred |
| (7) | Hickman Community Health Care Services Inc | Q | 167,202 | Actual Amount Transferred |
| (8) | Ascension Health | R | 1,323,042 | Actual Amount Transferred |

# Consolidated Financial Statements and Supplementary Information

Ascension Health Alliance
Years Ended June 30, 2012 and 2011
With Reports of Independent Auditors

Ascension Health Alliance

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
Ascension Health Alliance

We have audited the accompanying consolidated balance sheets of Ascension Health Alliance (as identified in Note 1) 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 Ascension Health Alliance'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 Ascension Health Alliance's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ascension Health Alliance'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 Ascension Health Alliance at June 30, 2012 and 2011, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States

Ernst & Young LLP

September 12, 2012

# Ascension Health Alliance

## Consolidated Balance Sheets
*(Dollars in Thousands)*

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **$ 306,469** | $ 1,107,846 |
| Short-term investments | **216,914** | 237,461 |
| Accounts receivable, less allowances for uncollectible accounts ($1,145,935 and $1,079,706 at June 30, 2012 and 2011, respectively) | **1,962,549** | 1,687,189 |
| Inventories | **223,647** | 190,514 |
| Due from brokers *(see Notes 4 and 5)* | **789,271** | – |
| Estimated third-party payor settlements | **159,871** | 89,747 |
| Other *(see Notes 4 and 5)* | **756,216** | 438,063 |
| Total current assets | **4,414,937** | 3,750,820 |
| Long-term investments *(see Notes 4 and 5)* | **10,468,457** | 8,117,951 |
| Property and equipment, net | **6,603,603** | 5,987,804 |
| Other assets | | |
| Investment in unconsolidated entities | **946,971** | 889,077 |
| Capitalized software costs, net | **645,112** | 486,842 |
| Other | **696,814** | 720,565 |
| Total other assets | **2,288,897** | 2,096,484 |
| Total assets | **$ 23,775,894** | $ 19,953,059 |

| | June 30, 2012 | 2011 |
|---|---|---|
| **Liabilities and net assets** | | |
| Current liabilities | | |
| Current portion of long-term debt | **$ 45,363** | $ 29,563 |
| Long-term debt subject to short-term remarketing arrangements* | **1,094,425** | 1,662,950 |
| Accounts payable and accrued liabilities | **2,009,229** | 1,814,600 |
| Estimated third-party payor settlements | **457,030** | 276,810 |
| Due to brokers *(see Notes 4 and 5)* | **880,613** | – |
| Current portion of self-insurance liabilities | **206,057** | 191,551 |
| Other *(see Notes 4 and 5)* | **435,874** | 103,093 |
| Total current liabilities | **5,128,591** | 4,078,567 |
| Noncurrent liabilities | | |
| Long-term debt (senior and subordinated) | **3,655,406** | 2,546,785 |
| Self-insurance liabilities | **518,995** | 448,624 |
| Pension and other postretirement liabilities | **492,366** | 396,058 |
| Other *(see Notes 4 and 5)* | **1,057,644** | 676,648 |
| Total noncurrent liabilities | **5,724,411** | 4,068,115 |
| Total liabilities | **10,853,002** | 8,146,682 |
| Net assets | | |
| Unrestricted | | |
| Controlling interest | **11,836,414** | 11,332,631 |
| Noncontrolling interests | **647,236** | 42,739 |
| Unrestricted net assets | **12,483,650** | 11,375,370 |
| Temporarily restricted | **336,027** | 331,563 |
| Permanently restricted | **103,215** | 99,444 |
| Total net assets | **12,922,892** | 11,806,377 |
| Total liabilities and net assets | **$ 23,775,894** | $ 19,953,059 |

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing, mandatory tender dates occurring prior to June 30, 2013. In the event that bonds are not remarketed upon the exercise of put options or the scheduled mandatory tenders, management would utilize other sources to access the necessary liquidity. Potential sources include liquidating investments, drawing upon the $1,000,000 line of credit, and issuing commercial paper. The commercial paper program is supported by the $1,000,000 line of credit, as discussed in the Long-Term Debt note.

*The accompanying notes are an integral part of the consolidated financial statements*

# Ascension Health Alliance

## Consolidated Statements of Operations and Changes in Net Assets

*(Dollars in Thousands)*

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| Operating revenue | | |
| Net patient service revenue | $ 15,620,035 | $ 14,565,006 |
| Other revenue | 990,613 | 841,521 |
| Total operating revenue | 16,610,648 | 15,406,527 |
| Operating expenses | | |
| Salaries and wages | 6,671,985 | 6,188,630 |
| Employee benefits | 1,450,458 | 1,444,867 |
| Purchased services | 771,953 | 771,836 |
| Professional fees | 1,042,327 | 889,375 |
| Supplies | 2,309,541 | 2,261,568 |
| Insurance | 102,917 | 92,168 |
| Bad debts | 1,005,844 | 991,974 |
| Interest | 135,563 | 129,014 |
| Depreciation and amortization | 674,178 | 656,859 |
| Other | 1,827,002 | 1,556,110 |
| Total operating expenses before impairment, restructuring and nonrecurring gains (losses), net | 15,991,768 | 14,982,401 |
| Income from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring gains (losses), net | 618,880 | 424,126 |
| Self-insurance trust fund investment return | 17,197 | 90,402 |
| Impairment, restructuring, and nonrecurring gains (losses), net | 297,548 | (92,387) |
| Income from operations | 933,625 | 422,141 |
| Nonoperating gains (losses) | | |
| Investment return | (137,383) | 1,129,859 |
| Loss on extinguishment of debt | (2,828) | (1,007) |
| (Loss) gain on interest rate swaps | (74,773) | 30,879 |
| Income from unconsolidated entities | 8,802 | 11,915 |
| Contributions from business combinations | 326,333 | – |
| Other | (69,510) | (68,999) |
| Total nonoperating gains, net | 50,641 | 1,102,647 |
| Excess of revenues and gains over expenses and losses | 984,266 | 1,524,788 |
| Less noncontrolling interests | 15,840 | 27,484 |
| Excess of revenues and gains over expenses and losses attributable to controlling interest | 968,426 | 1,497,304 |

*Continued on next page*

# Ascension Health Alliance

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

*(Dollars in Thousands)*

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| Unrestricted net assets, controlling interest | | |
| Excess of revenues and gains over expenses and losses | $ **968,426** | $ 1,497,304 |
| Transfers to sponsors and other affiliates, net | **(19,947)** | (14,495) |
| Contributed net assets | **(400)** | (374) |
| Net assets released from restrictions for property acquisitions | **68,940** | 70,555 |
| Pension and other postretirement liability adjustments | **(451,555)** | 793,897 |
| Change in unconsolidated entities' net assets | **(15,890)** | 1,175 |
| Other | **9,207** | (2,778) |
| Increase in unrestricted net assets, controlling interest, before (loss) gain from discontinued operations and cumulative effect of change in accounting principle | **558,781** | 2,345,284 |
| (Loss) gain from discontinued operations | **(54,998)** | 19,421 |
| Cumulative effect of change in accounting principle | **–** | (45,993) |
| Increase in unrestricted net assets, controlling interest | **503,783** | 2,318,712 |
| Unrestricted net assets, noncontrolling interests | | |
| Excess of revenues and gains over expenses and losses | **15,840** | 27,484 |
| Distributions of capital | **(578,445)** | (33,854) |
| Contributions of capital | **1,167,102** | 7,973 |
| Increase in unrestricted net assets, noncontrolling interests | **604,497** | 1,603 |
| Temporarily restricted net assets, controlling interest | | |
| Contributions and grants | **100,880** | 100,679 |
| Net change in unrealized gains/losses on investments | **(5,333)** | 15,714 |
| Investment return | **4,695** | 8,295 |
| Net assets released from restrictions | **(104,028)** | (103,654) |
| Other | **8,250** | 496 |
| Increase in temporarily restricted net assets, controlling interest | **4,464** | 21,530 |
| Permanently restricted net assets, controlling interest | | |
| Contributions | **5,082** | 8,030 |
| Net change in unrealized gains/losses on investments | **(25)** | 1,692 |
| Investment return | **(217)** | (62) |
| Other | **(1,069)** | (87) |
| Increase in permanently restricted net assets, controlling interest | **3,771** | 9,573 |
| Increase in net assets | **1,116,515** | 2,351,418 |
| Net assets, beginning of year | **11,806,377** | 9,454,959 |
| Net assets, end of year | $ **12,922,892** | $ 11,806,377 |

*The accompanying notes are an integral part of the consolidated financial statements*

# Ascension Health Alliance

## Consolidated Statements of Cash Flows

*(Dollars in Thousands)*

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| **Operating activities** | | |
| Increase in net assets | $ **1,116,515** | $ 2,351,418 |
| Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities | | |
| Depreciation and amortization | **674,178** | 656,859 |
| Amortization of bond premiums | **(10,663)** | (9,951) |
| Loss on extinguishment of debt | **2,828** | 1,007 |
| Provision for bad debts | **1,005,844** | 991,974 |
| Pension and other postretirement liability adjustments | **451,555** | (793,897) |
| Contributed net assets | **400** | 374 |
| Contributions from business combinations | **(305,162)** | – |
| Interest, dividends, and net losses (gains) on investments | **122,323** | (1,245,900) |
| Change in market value of interest rate swaps | **77,568** | (25,257) |
| Deferred gain on interest rate swaps | **(303)** | (303) |
| Gain on sale of assets, net | **(13,950)** | (21,373) |
| Cumulative effect of change in accounting principle | **–** | 45,993 |
| Impairment and nonrecurring expenses | **45,956** | 35,384 |
| Contribution of noncontrolling interest in CHIMCO Alpha Fund, LLC | **(440,015)** | – |
| Transfers to sponsor and other affiliates, net | **19,947** | 14,495 |
| Restricted contributions, investment return, and other | **(117,621)** | (117,351) |
| Other restricted activity | **(7,537)** | (1,393) |
| Nonoperating depreciation expense | **308** | 311 |
| (Increase) decrease in | | |
| Short-term investments | **35,298** | (9,496) |
| Accounts receivable | **(1,173,282)** | (1,105,326) |
| Inventories and other current assets | **245,684** | 18,530 |
| Due from brokers | **(83,976)** | – |
| Investments classified as trading | **(985,261)** | (293,254) |
| Other assets | **(8,752)** | (218,609) |
| Increase (decrease) in | | |
| Accounts payable and accrued liabilities | **51,319** | 105,184 |
| Estimated third-party payor settlements, net | **28,121** | 53,294 |
| Due to brokers | **(277,720)** | – |
| Other current liabilities | **(281,300)** | 36,331 |
| Self-insurance liabilities | **(45,390)** | (9,846) |
| Other noncurrent liabilities | **(365,398)** | 235,877 |
| Net cash (used in) provided by continuing operating activities | **(238,486)** | 695,075 |
| Net cash provided by (used in) and adjustments to reconcile change in net assets for discontinued operations | **107,776** | (15,718) |
| Net cash (used in) provided by operating activities | **(130,710)** | 679,357 |

*Continued on next page*

# Ascension Health Alliance

## Consolidated Statements of Cash Flows (continued)

*(Dollars in Thousands)*

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| **Investing activities** | | |
| Property, equipment, and capitalized software additions, net | **$ (853,144)** | $ (728,610) |
| Proceeds from sale of property and equipment | **2,104** | 25,701 |
| Net cash used in investing activities | **(851,040)** | (702,909) |
| **Financing activities** | | |
| Issuance of long-term debt | **1,832,269** | 691,240 |
| Repayment of long-term debt | **(1,779,632)** | (804,536) |
| Decrease in assets under bond indenture agreements | **17,513** | 467 |
| Transfers to sponsors and other affiliates, net | **(7,398)** | (34,246) |
| Restricted contributions, investment return, and other | **117,621** | 117,351 |
| Net cash provided by (used in) financing activities | **180,373** | (29,724) |
| Net decrease in cash and cash equivalents | **(801,377)** | (53,276) |
| Cash and cash equivalents at beginning of year | **1,107,846** | 1,161,122 |
| Cash and cash equivalents at end of year | **$ 306,469** | $ 1,107,846 |

*The accompanying notes are an integral part of the consolidated financial statements*

# Ascension Health Alliance

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

June 30, 2012

### 1. Organization and Mission

#### Organizational Structure

Ascension Health Alliance is a Missouri nonprofit corporation formed on September 13, 2011 Ascension Health Alliance is 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 healthcare 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, including Ascension Health Global Mission, Ascension Health Insurance, Ltd , Edessa Insurance Company, Ltd , the Resource Group, LLC, Clinical Holdings Corporation, Catholic Healthcare Investment Management Company (CHIMCO), Ascension Health Ventures, LLC, Ascension Health Leadership Academy, LLC, and AH Holdings, LLC Ascension Health Alliance and its member organizations are referred to collectively as the System

#### Sponsorship

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. As more fully described in the Organizational Changes note, Alexian Brothers Health System, which was previously sponsored by the Congregation of Alexian Brothers of the Immaculate Conception Province – American Province, became part of Ascension Health on January 1, 2012

#### 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 which 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

**1. Organization and Mission (continued)**

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 healthcare 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 to persons living in poverty and community benefit programs is estimated using each facility's internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service

The amount of traditional charity care provided, determined on the basis of net cost, excluding the provision for bad debt expense, was $468,970 and $408,894 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 is 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 Ascension Health Alliance or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation Investments in entities where the System does not have operating control are recorded under the equity or cost method of accounting Income from unconsolidated entities is included in consolidated excess of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets as follows

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| Other revenue | **$ 82,473** | $ 138,469 |
| Nonoperating gains, net | **8,802** | 11,915 |

### 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

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value The fair values of other financial instruments are disclosed in the Fair Value Measurements note

### Cash and Cash Equivalents

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

**2. Significant Accounting Policies (continued)**

**Short-Term Investments**

Short-term investments consist of investments with original maturities exceeding three months and up to one year, as well as assets limited as to use of approximately $148,000 and $146,000, at June 30, 2012 and 2011, respectively, which represent assets to be used for payment of the current portion of self-insurance liabilities

**Long-Term Investments and Investment Return**

As further discussed in the Organizational Changes and Pooled Investment Fund notes, a significant portion of the System's investments historically held in the Ascension Legacy Portfolio (formerly the Health System Depository, or HSD) were transferred to the CHIMCO Alpha Fund, LLC (Alpha Fund), a limited liability company organized in the state of Delaware, in April 2012 Certain System investments continue to be held in the Ascension Legacy Portfolio Additional System investments include those held and managed by the Health Ministries' consolidated foundations.

Investments, excluding investments in unconsolidated entities, are measured 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 securities, and equity securities, including private equity securities Investments also include alternative investments, including investments in hedge funds and private equity and other funds, which are valued based on the net asset value of the investments, as further discussed in the Fair Value Measurements note Investments also include derivatives held by the Alpha Fund, also measured at fair value, as discussed in the Pooled Investment Fund note

Long-term investments include assets limited as to use of approximately $916,000 and $848,000, at June 30, 2012 and 2011, respectively, comprised primarily of investments placed in trust and held by captive insurance companies for the payment of self-insured claims and investments which are limited as to use, as designated by donors

Purchases and sales of investments are accounted for on a trade-date basis Investment returns consist of dividends, interest, and gains and losses The cost of substantially all securities sold is based on the average cost method Investment returns on investments, excluding returns

*(Dollars in Thousands)*

**2. Significant Accounting Policies (continued)**

of self-insurance trust funds, 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 Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets

**Inventories**

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

**Intangible Assets**

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software 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 the Consolidated Balance Sheets as presented in the table that follows Capitalized software costs in the table below include software in progress of $363,347 and $199,137 at June 30, 2012 and 2011, respectively

| | June 30, 2012 | 2011 |
|---|---|---|
| Goodwill | **$ 126,666** | $ 118,871 |
| Other, net | **26,688** | 29,404 |
| | **153,354** | 148,275 |
| Capitalized software costs | **1,216,876** | 972,317 |
| Less accumulated amortization | **571,764** | 485,475 |
| | **645,112** | 486,842 |
| Total intangible assets, net | **$ 798,466** | $ 635,117 |

*(Dollars in Thousands)*

**2. Significant Accounting Policies (continued)**

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives Amortization expense for these intangible assets in 2012 and 2011 was $90,685 and $86,490, respectively

During the year ended June 30, 2010, the System began a significant multi-year, System-wide enterprise resource planning project, including information technology and process standardization (Symphony), which is expected to continue through December 2014 The project is anticipated to result in a transition to a common software product for various finance, information technology, procurement, and human resources management processes, including standardization of those processes throughout the System Capitalized costs of Symphony were approximately $279,000 and $162,000 at June 30, 2012 and 2011, respectively, and are included in capitalized software costs in the preceding table Certain costs of this project were also expensed See the Impairment, Restructuring, and Nonrecurring Gains (Losses) discussion below for additional information about costs associated with Symphony

**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 | **$ 673,292** | $ 619,465 |
| Building and equipment | **13,107,833** | 12,329,647 |
| | **13,781,125** | 12,949,112 |
| Less accumulated depreciation | **7,463,388** | 7,110,865 |
| | **6,317,737** | 5,838,247 |
| Construction in progress | **285,866** | 149,557 |
| Total property and equipment, net | **$ 6,603,603** | $ 5,987,804 |

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets Depreciation expense in 2012 and 2011 was $581,032 and $567,070, respectively

**2. Significant Accounting Policies (continued)**

Several capital projects have remaining construction and related equipment purchase commitments of approximately $179,000

**Noncontrolling Interests**

The consolidated financial statements include all assets, liabilities, revenues and expenses of entities that are controlled by the System and therefore consolidated Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those assets whose use by the System 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 donors' 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

Temporarily and permanently restricted net assets consist solely of controlling interests of the System

**Performance Indicator**

The performance indicator is the 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, change in unconsolidated entities' net assets, cumulative effect of a change in accounting principle, discontinued operations, and contributions received of property and equipment

**2. Significant Accounting Policies (continued)**

**Operating and Nonoperating Activities**

The System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare 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 System's primary mission are considered to be nonoperating

**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 $149,931 and $70,973 for the years ended June 30, 2012 and 2011, respectively

During both 2012 and 2011, approximately 36% of net patient service revenue was earned under the Medicare program and 11% under various states' Medicaid programs. The System 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 and 2011, include Medicare (20%) and various states' Medicaid programs (10%).

**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 healthcare 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 System 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 the System Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies.

**Impairment, Restructuring, and Nonrecurring Gains (Losses)**

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 future discounted net cash flows or other estimates of fair value

During the year ended June 30, 2012, the System recorded total impairment, restructuring and nonrecurring gains, net of $297,548 This amount was comprised primarily of pension curtailment gains of $414,294, as discussed in the Retirement Plans note, partially offset by long-lived asset impairments and restructuring charges of $61,151, and $55,595 of nonrecurring expenses associated with Symphony

For the year ended June 30, 2011, the System recorded total impairment, restructuring and nonrecurring losses, net of $92,387, comprised of long-lived asset impairments of approximately $21,834 and restructuring and nonrecurring expenses of approximately $70,553 The restructuring and nonrecurring expenses for the year ended June 30, 2011, included approximately $44,355 of nonrecurring expenses associated with Symphony Symphony nonrecurring expenses include project management and process reengineering costs, as well as costs to establish a shared service center and develop a business intelligence data warehouse

**2. Significant Accounting Policies (continued)**

**Amortization**

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method

**Income Taxes**

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

**Regulatory Compliance**

Various federal and state agencies have initiated investigations regarding reimbursement claimed by certain members of the System The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined, however, in the opinion of management, the results of the investigations will not have a material adverse impact on the consolidated financial statements of Ascension Health Alliance

**Reclassifications**

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

**Subsequent Events**

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

## 3. Organizational Changes

### Business Combinations

Effective January 1, 2012, Ascension Health, a subsidiary of Ascension Health Alliance, became sole corporate member of Alexian Brothers Health System (Alexian Brothers), a Catholic healthcare system that operates acute and specialty care hospitals, ambulatory care clinics, physician practices and senior living facilities in Illinois, Missouri, Tennessee, and Wisconsin This transaction resulted in a net increase to unrestricted net assets of $326,333, reflected as contributions from business combinations in the Consolidated Statement of Operations and Changes in Net Assets during the year ended June 30, 2012 Furthermore, this addition resulted in a contribution of restricted net assets of $16,337, included in other changes in net assets in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2012

### Pooled Investment Fund

For the year ended June 30, 2011, and prior to April 2012, the System held a significant portion of its investments in the Ascension Legacy Portfolio, an investment pool of funds in which the System and a limited number of nonprofit healthcare providers participated In April 2012, a significant portion of the assets in the Ascension Legacy Portfolio was transferred to the Alpha Fund, a separate legal entity created during the year ended June 30, 2012 Certain System assets continue to be held through the Ascension Legacy Portfolio, and subsequent to April 2012, the Ascension Legacy Portfolio no longer holds assets for unrelated entities

Prior to April 2012, CHIMCO, a wholly owned subsidiary of Ascension Health Alliance, managed the investment portfolio of Ascension Health Alliance held in the Ascension Legacy Portfolio CHIMCO provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management The System did not consolidate the Ascension Legacy Portfolio prior to April 2012 Accordingly, the System's investments recorded in the consolidated financial statements consisted only of the System's pro-rata share of the Ascension Legacy Portfolio's investments held for participants prior to April 2012

The Alpha Fund includes the investment interests of Ascension Health Alliance and other Alpha Fund members CHIMCO manages and serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. Ascension Health Alliance began consolidating the Alpha Fund in April 2012

**3. Organizational Changes (continued)**

The portion of the Alpha Fund's net assets representing interests held by entities other than Ascension Health Alliance are reflected in noncontrolling interests in the Consolidated Balance Sheet at June 30, 2012, which amount to $589,493 at June 30, 2012

The consolidation of the Alpha Fund by the System in April 2012 resulted in an increase of net assets of $440,015, representing the noncontrolling interests of the Alpha Fund as of the date investments were transferred into the Alpha Fund Additional information about the Alpha Fund is included in the Pooled Investment Fund note

**Divestitures and Discontinued Operations**

Effective October 1, 2011, Seton Health System, Inc (Seton Health) in Troy, New York, separated from the System and became part of a newly formed nonprofit healthcare organization that operates in the state of New York The operations of Seton Health are reflected in the System's consolidated financial statements as discontinued operations

Ascension Health Alliance reported a decrease in net assets from discontinued operations of $54,998 for the year ended June 30, 2012, representing the contribution of net assets related to the separation of Seton Health and the deficit of revenues over expenses for previously discontinued lines of business in Michigan These entities had recorded operating revenues totaling $39,659 during the period that they were operational during the year ended June 30, 2012

Ascension Health Alliance reported an increase in net assets from discontinued operations of $19,421 for the year ended June 30, 2011, representing the excess of revenues over expenses for previously discontinued lines of business in Michigan, New York, and Tennessee These entities had recorded operating revenues totaling $186,902 during the period that they were operational during the year ended June 30, 2011

**Other**

In March 2012, Ascension Health Alliance and Daughters of Charity Health System (DCHS) entered into a non-binding memorandum of understanding to explore having DCHS join Ascension Health, a subsidiary of Ascension Health Alliance Completion of the proposed transaction is subject to the execution of final agreements and obtaining all necessary approvals

**3. Organizational Changes (continued)**

In June 2012, Ascension Health Alliance and Marian Health System, Inc (Marian) entered into a non-binding memorandum of understanding to explore having Marian join Ascension Health Alliance Completion of the proposed transaction is subject to the execution of final agreements and obtaining all necessary approvals

**4. Pooled Investment Fund**

As discussed in the Organizational Changes note, in April 2012, substantially all of the System's investments previously held in the Ascension Legacy Portfolio were transferred to the Alpha Fund, in which Ascension Health Alliance and certain other entities are members At June 30, 2012, a significant portion of the System's investments consist of Ascension Health Alliance's interest in the Alpha Fund

The Alpha Fund invests in a diversified portfolio of investments including alternative investments, such as real asset funds, hedge funds, private equity funds, commodity funds and private credit funds Collectively, these funds have liquidity terms ranging from weekly to annual with notice periods ranging from 1 to 93 days Due to redemption restrictions, investments in certain of these funds, whose fair value was approximately $683,000 at June 30, 2012, cannot currently be redeemed However, the potential for the Alpha Fund to sell its interest in these funds in a secondary market prior to the end of the fund term does exist

The Alpha Fund's investments in certain alternative investment funds also include contractual commitments to provide capital contributions during the investment period which is typically five years and can extend to the end of the fund term During these contractual periods, investment managers may require the Alpha Fund to invest in accordance with the terms of the agreement Commitments not funded during the investment period will expire and remain unfunded As of June 30, 2012, contractual agreements of the Alpha Fund expire between July 1, 2012 and March 31, 2018 The remaining unfunded capital commitments of the Alpha Fund total approximately $729 million for 51 individual funds as of June 30, 2012 Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund

In the normal course of operations and within established Alpha Fund guidelines, the Alpha Fund may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, option and forward contracts as well as warrants and swaps

**4. Pooled Investment Fund (continued)**

These instruments are used primarily to adjust the portfolio duration, restructure term structure exposure, change sector exposure, and arbitrage market inefficiencies See the Fair Value Measurements note for a discussion of how fair value for the Alpha Fund's derivatives is determined

At June 30, 2012, the notional value of Alpha Fund derivatives outstanding was approximately $2,071,000 The fair value of Alpha Fund derivatives in an asset position was $71,936 at June 30, 2012, while the fair value of Alpha Fund derivatives in a liability position was $36,266 at June 30, 2012 These derivatives are included in long-term investments in the Consolidated Balance Sheet at June 30, 2012

The Alpha Fund also participates in a securities lending program, whereby a portion of the Alpha Fund's investments are loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned, usually on a short-term basis The fair value of collateral held by the Alpha Fund associated with such lending agreements amounts to approximately $320,000 and is included in other current assets in the Consolidated Balance Sheet at June 30, 2012, while the liability associated with the obligation to repay such collateral is also approximately $320,000, and is included in other current liabilities in the Consolidated Balance Sheet at June 30, 2012 In addition, the Alpha Fund has liabilities for investments sold, not yet purchased, representing obligations of the Alpha Fund to purchase investments in the market at prevailing prices The fair value of this Alpha Fund liability is approximately $160,000 and is included in other noncurrent liabilities in the Consolidated Balance Sheet at June 30, 2012

Due from brokers and due to brokers on the Consolidated Balance Sheet at June 30, 2012, represent the Alpha Fund's positions and amounts due from or to various brokers, primarily amounts for security transactions not yet settled, as well as cash held by brokers for securities sold, not yet purchased

*(Dollars in Thousands)*

## 5. Cash and Investments

The System's cash and investments are reported in the June 30, 2012, Consolidated Balance Sheet as presented in the table that follows Total cash and investments, net, includes both the System's membership interest in the Alpha Fund as well as the noncontrolling interests held by other Alpha Fund members System unrestricted cash and investments, net, represent the System's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use

| | June 30, 2012 |
|---|---|
| Cash and cash equivalents | $ 306,469 |
| Short-term investments | 216,914 |
| Long-term investments | 10,468,457 |
| Subtotal | 10,991,840 |
| Other Alpha Fund and Ascension Legacy Portfolio assets and liabilities | |
| In other current assets | 360,999 |
| In other long-term assets | 2,924 |
| In accounts payable and accrued liabilities | (12,779) |
| In other current liabilities | (322,873) |
| In other noncurrent liabilities | (157,073) |
| Due from (to) brokers, net | (91,342) |
| Total cash and investments, net | 10,771,696 |
| Less noncontrolling interests of Alpha Fund | 589,493 |
| System cash and investments, including assets limited as to use | 10,182,203 |
| Less assets limited as to use | 1,064,385 |
| System unrestricted cash and investments, net | $ 9,117,818 |

*(Dollars in Thousands)*

**5. Cash and Investments (continued)**

At June 30, 2012, the composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows

| | June 30, 2012 |
|---|---|
| Cash and cash equivalents and short-term investments | $ 498,902 |
| Pooled short-term investment funds | 416,087 |
| U S government, state, municipal and agency obligations | 3,271,474 |
| Corporate and foreign fixed income securities | 980,322 |
| Asset-backed securities | 1,057,735 |
| Equity securities | 1,574,188 |
| Private equity, alternative investments and other investments | 3,193,132 |
| Total cash and cash equivalents, short-term investments and long-term investments | $ 10,991,840 |

At June 30, 2011, the System's investments consisted of its pro rata share of the Ascension Legacy Portfolio's funds held for participants and certain other investments such as those investments held and managed by foundations The System's June 30, 2011 investments are reported in the accompanying Consolidated Balance Sheet as presented in the table that follows Assets limited as to use are discussed in the Short-Term Investments and Long-Term Investments and Investment Return sections of the Significant Accounting Policies note Long-term investments include investments designated for a specific purpose by resolution of the System Board or local Health Ministry Boards which were approximately $601,000 at June 30, 2011

| | June 30, 2011 |
|---|---|
| Cash and cash equivalents | $ 1,107,846 |
| Short-term investments | 237,461 |
| Long-term investments | 8,117,951 |
| System cash and investments | 9,463,258 |
| Less assets limited as to use | 994,297 |
| System unrestricted cash and investments | $ 8,468,961 |

*(Dollars in Thousands)*

**5. Cash and Investments (continued)**

At June 30, 2011, the composition of cash and investments classified as cash and cash equivalents, short-term investments, assets limited as to use and other long-term investments is summarized as follows

| | June 30, 2011 |
|---|---|
| Cash and cash equivalents | $ 450,436 |
| Short-term investments | 60,559 |
| U S government, state, municipal and agency obligations | 49,958 |
| Corporate and foreign fixed income securities | 50,762 |
| Asset-backed securities | 60,280 |
| Equity securities | 314,672 |
| Private equity and other investments | 164,895 |
| Subtotal, included in cash and cash equivalents, short-term investments, and long-term investments | 1,151,562 |
| Ascension Health Alliance's pro rata share of Ascension Legacy Portfolio funds held for participants | 8,311,696 |
| Total cash and cash equivalents, short-term investments and long-term investments | $ 9,463,258 |

The System's pro rata share of the Ascension Legacy Portfolio's funds held for participants was $8,311,696 at June 30, 2011, representing approximately 76 6% of the funds held for participants in the Ascension Legacy Portfolio

*(Dollars in Thousands)*

**5. Cash and Investments (continued)**

The following is a condensed balance sheet of the Ascension Legacy Portfolio at June 30, 2011, including the interests of the System and all other participating entities

| | June 30, 2011 |
|---|---|
| **Assets** | |
| Cash | $ 26,757 |
| Loans, interest, and other receivables | 88,180 |
| Due from brokers | 799,869 |
| Securities lending collateral | 378,877 |
| Derivative asset | 33,208 |
| | |
| Investments, at fair value | |
| Short-term investments | 747,955 |
| U S government obligations | 3,056,988 |
| Corporate and foreign fixed income securities | 1,260,685 |
| Asset-backed securities | 1,764,404 |
| Equity, private equity, and other investments | 2,287,580 |
| | |
| Equity method investments | 2,026,142 |
| Total assets | $ 12,470,645 |
| | |
| **Liabilities and funds held for participants** | |
| Due to brokers | $ 1,032,350 |
| Derivative liability | 34,768 |
| Investments sold, not yet purchased | 166,663 |
| Other payables | 6,743 |
| Payable under securities lending program | 380,684 |
| Total liabilities | 1,621,208 |
| | |
| Funds held for participants | 10,849,437 |
| Total liabilities and funds held for participants | $ 12,470,645 |

*(Dollars in Thousands)*

**5. Cash and Investments (continued)**

Net investments under CHIMCO management and held in the Ascension Legacy Portfolio at March 31, 2012, yet not included in the Alpha Fund or the Ascension Legacy Portfolio while still managed by CHIMCO at April 1, 2012, were approximately $1,820,000 As of June 30, 2012, the System's membership interest in the Alpha Fund as well as the noncontrolling interest (see Note 2) in the Alpha Fund, representing interests held by entities other than Ascension Health Alliance, total $8,840,551 and $589,493, respectively

Investment return recognized by the System for the years ended June 30, 2012 and 2011, is summarized in the following table Total investment return includes the System's return in the Ascension Legacy Portfolio as well as the investment return of the Alpha Fund System investment return represents the System's total investment return, net of the investment return earned by the noncontrolling interests of other Alpha Fund members

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| Investment return in Ascension Legacy Portfolio | **$ 57,921** | $ 1,142,327 |
| Interest and dividends | **51,453** | 17,001 |
| Net losses on investments reported at fair value | **(233,826)** | 80,409 |
| Restricted investment income | **3,386** | 6,163 |
| Total investment return | **(121,066)** | 1,245,900 |
| Less return earned by noncontrolling interests of Alpha Fund | **(9,264)** | – |
| System investment return | **$ (111,802)** | $ 1,245,900 |

**6. Fair Value Measurements**

The System 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

**6. 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 System'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 System 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 assets and liabilities in active markets or exchanges or prices quoted for identical or similar assets and liabilities 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, the Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs

*Cash and cash equivalents and short-term investments*

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest Significant observable inputs include security cost, maturity, and relevant short-term interest rates Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach Significant observable inputs include security cost, maturity, and credit rating, interest rate and par value

**6. Fair Value Measurements (continued)**

*U. S. government, state, municipal and agency obligations*

The fair value of investments in U S government, state, municipal and agency obligations is primarily determined using techniques consistent with the income approach Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads

*Corporate and foreign fixed income securities*

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

*Asset-backed securities*

The fair value of U S agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes

*Equity securities*

The fair value of investments in U S and international equity securities is primarily determined using techniques consistent with the income approach The values for underlying investments are fair value estimates determined by external fund managers based on quoted market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals

**6. Fair Value Measurements (continued)**

*Private equity, alternative investments and other investments*

The fair value of private equity investments is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results The income approach considers the projected operating performance of the portfolio company

Alternative investments consist of hedge funds, private equity funds, commodity funds, and real estate partnerships Alternative investments are valued using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth and other business and market sector fundamentals

Other investments include derivative assets and derivative liabilities of the Alpha Fund, whose fair value is primarily determined using techniques consistent with the market approach Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity and recovery rates

*Securities lending collateral*

The fair value of collateral received under the Alpha Fund's securities lending program is valued using the calculated net asset value for the commingled fund in which the collateral is invested The underlying investments in the commingled fund are valued using techniques consistent with the market approach, which uses significant observable market inputs such as available trade, quotes, benchmark curves, sector groupings, and matrix pricing

*Benefit plan assets*

The fair value of benefit plan assets is based on original investment into a guaranteed pooled fund, 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 annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio

*(Dollars in Thousands)*

## 6. Fair Value Measurements (continued)

*Interest rate swap assets and liabilities*

The fair value of interest rate swaps is primarily determined using techniques consistent with the market approach Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates

*Investments sold, not yet purchased*

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **June 30, 2012** | | | | |
| Cash and cash equivalents | $ 78,301 | $ 3,419 | $ – | $ 81,720 |
| Short-term investments | 14,567 | 79,321 | – | 93,888 |
| Pooled short-term investment funds | 416,087 | – | – | 416,087 |
| U S government, state, municipal and agency obligations | – | 3,264,037 | 7,437 | 3,271,474 |
| Corporate and foreign fixed income securities | – | 859,904 | 120,418 | 980,322 |
| Asset-backed securities | – | 1,042,438 | 15,297 | 1,057,735 |
| Equity securities | 1,546,579 | 14,491 | 13,118 | 1,574,188 |
| Private equity, alternative investments and other investments | 8,699 | 3,327 | 3,096,973 | 3,108,999 |
| Assets not at fair value | | | | 407,427 |
| Cash and investments | | | | $ 10,991,840 |
| Securities lending collateral, in other current assets | $ – | $ 321,937 | $ – | $ 321,937 |
| Benefit plan assets, in other noncurrent assets | 136,435 | – | 36,932 | 173,367 |
| Interest rate swaps, in other noncurrent assets | – | 94,082 | – | 94,082 |
| Investments sold, not yet purchased, in other noncurrent liabilities | – | 157,073 | – | 157,073 |
| Interest rate swaps, included in other noncurrent liabilities | – | 248,511 | – | 248,511 |

*(Dollars in Thousands)*

## 6. Fair Value Measurements (continued)

For the year ended June 30, 2012, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following Level 3 investments of the Alpha Fund are included in transfers in the table below

| | U.S. Government, State, Municipal and Agency Obligations | Corporate and Foreign Fixed Income Securities | Asset-Backed Securities | Equity Securities | Private Equity, Alternative Investments and Other Investments | Benefit Plan Assets |
|---|---|---|---|---|---|---|
| **June 30, 2012** | | | | | | |
| Beginning balance | $ 442 | $ 5,024 | $ 1,924 | $ 15,515 | $ 86,166 | $ 31,795 |
| Total realized and unrealized gains (losses) | | | | | | |
| Included in income from operations | 21 | 192 | (7) | 886 | (391) | – |
| Included in nonoperating gains (losses) | 6 | 904 | (149) | (69) | (33,994) | – |
| Included in changes in net assets | – | – | – | – | 1,290 | 20 |
| Purchases | – | 77,943 | 2,919 | – | 458,171 | 8,716 |
| Settlements | – | – | – | – | – | (91) |
| Issuances | – | – | – | – | – | 35 |
| Sales | – | (57,768) | (2,700) | (3,588) | (90,500) | (5,408) |
| Transfers into Level 3 | 6,968 | 94,201 | 15,012 | 374 | 2,676,231 | 2,649 |
| Transfers out of Level 3 | – | (78) | (1,702) | – | – | (784) |
| Ending balance | $ 7,437 | $ 120,418 | $ 15,297 | $ 13,118 | $ 3,096,973 | $ 36,932 |

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur

As discussed in the Organizational Changes and Pooled Investment Fund notes, the System recognized its pro rata share of the Ascension Legacy Portfolio's investments held for participants in the Consolidated Balance Sheet at June 30, 2011, which represented 76 6% of the net asset value of the Ascension Legacy Portfolio as of June 30, 2011 The Ascension Legacy Portfolio's investments at June 30, 2011, included equities, various fixed income securities, and alternative investments

*(Dollars in Thousands)*

**6. Fair Value Measurements (continued)**

The following table summarizes fair value measurements, by level, at June 30, 2011, for Ascension Legacy Portfolio's financial assets and liabilities, measured at fair value on a recurring basis in Ascension Legacy Portfolio's financial statements:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **June 30, 2011** | | | | |
| Assets included in | | | | |
| Securities lending collateral | $ – | $ 378,877 | $ – | $ 378,877 |
| Derivative asset | 19,649 | 2,303 | 11,256 | 33,208 |
| Short-term investments | 689,742 | 58,213 | – | 747,955 |
| U.S. government obligations | – | 3,046,822 | 10,166 | 3,056,988 |
| Corporate and foreign fixed income securities | – | 1,144,643 | 116,042 | 1,260,685 |
| Asset-backed securities | – | 1,719,704 | 44,700 | 1,764,404 |
| Equity, private equity, and other investments | 2,240,360 | – | 47,220 | 2,287,580 |
| Liabilities included in | | | | |
| Derivative liability | 1,162 | 3,116 | 30,490 | 34,768 |
| Investments sold, not yet purchased | – | 166,663 | – | 166,663 |

*(Dollars in Thousands)*

**6. Fair Value Measurements (continued)**

For the year ended June 30, 2011, the changes in the fair value of Ascension Legacy Portfolio's assets measured using significant unobservable inputs (Level 3) consisted of the following

| | U.S. Government Obligations | Corporate and Foreign Fixed Income Securities | Asset-Backed Securities | Equity, Private Equity, and Other Investments | Net Derivatives |
|---|---|---|---|---|---|
| **June 30, 2011** | | | | | |
| Beginning balance | $ 7,340 | $ 167,473 | $ 26,069 | $ 423,575 | $ (40,449) |
| Total realized and unrealized gains included in nonoperating gains (losses) | 202 | 8,209 | 1,514 | 99,730 | 180,214 |
| Purchases, issuances, and settlements | 1,199 | (42,171) | 19,814 | (476,085) | (158,999) |
| Transfers into (out of) Level 3 | 1,425 | (17,469) | (2,697) | – | – |
| Ending balance | $ 10,166 | $ 116,042 | $ 44,700 | $ 47,220 | $ (19,234) |
| The amount of total gains (losses) for the period included in nonoperating gains (losses) attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2011 | $ 107 | $ (1,948) | $ 781 | $ 5,872 | $ (146,992) |

*(Dollars in Thousands)*

## 6. Fair Value Measurements (continued)

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 System's consolidated financial statements

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **June 30, 2011** | | | | |
| Cash and cash equivalents | $ 86,946 | $ 6,954 | $ – | $ 93,900 |
| Short-term investments | 15,592 | 44,768 | – | 60,360 |
| U S government, state, municipal and agency obligations | – | 49,516 | 442 | 49,958 |
| Corporate and foreign fixed income securities | – | 45,738 | 5,024 | 50,762 |
| Asset-backed securities | – | 58,356 | 1,924 | 60,280 |
| Equity securities | 284,701 | 14,456 | 15,515 | 314,672 |
| Private equity, alternative investments and other investments | 594 | 3,423 | 86,166 | 90,183 |
| Assets not at fair value | | | | 431,447 |
| Cash and investments | | | | $ 1,151,562 |
| | | | | |
| Benefit plan assets, in other noncurrent assets | $ 137,391 | $ – | $ 31,795 | $ 169,186 |
| | | | | |
| Interest rate swaps, included in other noncurrent assets | – | 64,426 | – | 64,426 |
| | | | | |
| Interest rate swaps, included in other noncurrent liabilities | – | 141,287 | – | 141,287 |

*(Dollars in Thousands)*

## 6. Fair Value Measurements (continued)

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

| | U.S. Government, State, Municipal and Agency Obligations | Corporate and Foreign Fixed Income Securities | Asset-Backed Securities | Equity Securities | Private Equity, Alternative Investments and Other Investments | Benefit Plan Assets |
|---|---|---|---|---|---|---|
| **June 30, 2011** | | | | | | |
| Beginning balance | $ 442 | $ 4,845 | $ 189 | $ 6,164 | $ 68,171 | $ 28,369 |
| Total realized and unrealized gains (losses) | | | | | | |
| Included in income from operations | – | 412 | (16) | 231 | 445 | – |
| Included in nonoperating gains (losses) | – | – | – | – | (73) | – |
| Included in changes in net assets | – | – | – | – | 315 | – |
| Purchases, issuances, and settlements | – | (233) | 1,463 | 9,120 | 18,373 | 2,611 |
| Transfers into (out of) Level 3 | – | – | 288 | – | (1,065) | 815 |
| Ending balance | $ 442 | $ 5,024 | $ 1,924 | $ 15,515 | $ 86,166 | $ 31,795 |

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur

## 7. Significant Investments in Unconsolidated Entities

The System has a 50% membership interest in Via Christi Health, Inc (VCH) The System accounts for this membership interest under the equity method of accounting. The System's investment in VCH is $493,105 and $499,910 at June 30, 2012 and 2011, respectively, and is reported in the Consolidated Balance Sheets in investment in unconsolidated entities The System's investment in VCH reflects the financial performance of VCH one month in arrears

At June 30, 2012 and 2011, the difference between the amount at which the System's investment in VCH is carried in the accompanying Consolidated Balance Sheets and its interest in the underlying net assets of VCH is $30,321 and $30,568, respectively This difference relates primarily to the excess of the fair value of VCH property and equipment and long-term debt over their carrying values at the date the System received the interest in VCH The difference is being amortized over the remaining life of the property and equipment and term of the long-term debt

*(Dollars in Thousands)*

**7. Significant Investments in Unconsolidated Entities (continued)**

Condensed financial information of VCH as of and for the years ended June 30, 2012 and 2011, is summarized below

| | June 30, 2012 | 2011 |
|---|---|---|
| Current assets | **$ 752,074** | $ 748,221 |
| Noncurrent assets | **954,184** | 932,313 |
| Total assets | **$ 1,706,258** | $ 1,680,534 |
| Current liabilities | **$ 131,366** | $ 120,335 |
| Noncurrent liabilities | **581,391** | 555,415 |
| Total liabilities | **712,757** | 675,750 |
| Net assets | **993,501** | 1,004,784 |
| Total liabilities and net assets | **$ 1,706,258** | $ 1,680,534 |
| Total revenues | **$ 1,096,449** | $ 1,094,925 |
| Total expenses | **(1,063,364)** | (1,072,680) |
| Total investment return | **(16,482)** | 97,573 |
| Excess of revenues over expenses | **$ 16,603** | $ 119,818 |

*(Dollars in Thousands)*

## 8. Long-Term Debt

Long-term debt at June 30, 2012 and 2011, is comprised of the following, and is presented in accordance with the specific master trust indenture to which the debt relates As further discussed below, certain portions of long-term debt are secured under the Alexian Brothers Health System Master Trust Indenture

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture | | |
| Variable rate demand bonds, subject to a put provision that provides for a cumulative 7-month notice and remarketing period, payable through November 2047, interest (0 27% at June 30, 2012) tied to a market index plus a spread | $ 308,605 | $ 320,480 |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2039, interest (0 15% to 0 16% at June 30, 2012) set at prevailing market rates | 225,665 | 246,730 |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2033, interest (0 15% to 0 16% at June 30, 2012) set at prevailing market rates, swapped to fixed rates of 5 454 and 5 544% through maturity | 307,300 | 150,325 |
| Indexed put bonds subject to weekly rate resets based on a taxable index, payable through November 2046, interest (1 505% at June 30, 2012) swapped to a variable rate tied to a tax-exempt market index plus a spread through November 2016 | 153,800 | 153,800 |
| Fixed rate put bonds (converted from an indexed put bond mode based on a taxable index in May 2009) payable through November 2046, interest (4 10% at June 30, 2012) swapped to a variable rate tied to a market index plus a spread through November 2016 | 153,690 | 153,690 |
| Fixed rate serial and term bonds payable in installments through November 2051, interest at 4 125% to 5 75% | 1,308,105 | 984,635 |
| Fixed rate serial and term bonds payable in installments through November 2039, interest at 5 00% swapped to variable rates over the life of the bonds | 587,360 | 599,490 |
| Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from April 2013 through May 2018, interest at 0 90% to 5 00% through the purchase dates | 904,185 | 823,560 |
| Fixed rate serial mode bonds payable through 2033 with purchase dates through May 2012, interest at 1 25%, swapped to fixed rates of 5 454% to 5 544% through maturity | – | 156,975 |

*(Dollars in Thousands)*

## 8. Long-Term Debt (continued)

| | June 30, 2012 | 2011 |
|---|---|---|
| Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture | | |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2027, interest (0.16% at June 30, 2012) set at prevailing market rates | $ **56,060** | $ 57,815 |
| Fixed rate serial mode bonds payable through 2027 with purchase dates through November 2012, interest at 5.00%, swapped to variable mode through the purchase dates | **49,810** | 149,470 |
| Fixed rate serial mode bonds payable through 2027 with purchase dates through May 2018, interest at 1.50% to 5.00% | **396,705** | 303,270 |
| Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture | **4,451,285** | 4,100,240 |
| Tax-exempt hospital revenue bonds – secured under Alexian Brothers Health System Master Trust Indenture | | |
| Fixed rate term bonds payable in installments through February 2038, interest at 3.50% to 5.50% | **161,565** | – |
| Total hospital revenue bonds under the Alexian Brothers Health System Master Trust Indenture | **161,565** | – |
| Total hospital revenue bonds under the Ascension Health Alliance Senior Master Trust Indenture, Ascension Health Alliance Subordinate Master Trust Indenture, and the Alexian Brothers Health System Master Trust Indenture | **4,612,850** | 4,100,240 |
| Other debt | | |
| Obligations under capital leases | **33,221** | 34,865 |
| Other | **37,936** | 36,960 |
| | **4,684,007** | 4,172,065 |
| Unamortized premium, net | **111,187** | 67,233 |
| Less current portion | **(45,363)** | (29,563) |
| Less long-term debt subject to short-term remarketing arrangements | **(1,094,425)** | (1,662,950) |
| Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements | $ **3,655,406** | $ 2,546,785 |

*(Dollars in Thousands)*

**8. Long-Term Debt (continued)**

| | June 30, 2012 | 2011 |
|---|---|---|
| Ascension Health Alliance Senior Master Trust Indenture long-term debt obligations, including unamortized premium, net | $ **2,919,702** | $ 1,953,354 |
| Ascension Health Alliance Subordinate Master Trust Indenture long-term debt obligations, including unamortized premium, net | **515,278** | 528,917 |
| Alexian Brothers Health System Master Trust Indenture long-term debt obligations, including unamortized premium, net | **167,257** | – |
| Other | **53,169** | 64,514 |
| Long-term debt, less current portion, and long-term debt subject to short-term remarketing arrangements | $ **3,655,406** | $ 2,546,785 |

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2012, are as follows

| | Ascension Health Alliance MTIs | Alexian Brothers Health System MTI | Other Debt | Total |
|---|---|---|---|---|
| Year ending June 30 | | | | |
| 2013 | $ 22,810 | $ 4,565 | $ 17,989 | $ 45,364 |
| 2014 | 57,785 | 3,290 | 5,978 | 67,053 |
| 2015 | 61,180 | 340 | 5,072 | 66,592 |
| 2016 | 51,650 | 7,485 | 2,787 | 61,922 |
| 2017 | 67,620 | 13,130 | 15,853 | 96,603 |
| Thereafter | 4,190,240 | 132,755 | 23,479 | 4,346,474 |
| Total | $ 4,451,285 | $ 161,565 | $ 71,158 | $ 4,684,008 |

The carrying amounts of variable rate bonds and other notes payable approximate fair value The fair values of the unsecured fixed rate serial and term bonds are estimated based on discounted cash flow analyses that consider current incremental borrowing rates for similar types of borrowing arrangements The fair value of both Ascension Health Alliance and Alexian Brothers fixed rate serial and term bonds, including the component of variable rate demand bonds subject to long-term fixed interest rates, approximates carrying value at June 30, 2012 and 2011 During the years ended June 30, 2012 and 2011, interest paid was approximately $148,300 and $146,000, respectively Capitalized interest was approximately $2,000 and $7,100 for the years ended June 30, 2012 and 2011, respectively

**8. Long-Term Debt (continued)**

Certain members of Ascension Health Alliance formed the Ascension Health Alliance Credit Group (Senior Credit Group) Each Senior Credit Group member is identified as either a senior obligated group member, a senior designated affiliate or a 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 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 payment of the outstanding obligations Additionally, 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

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

A Subordinate Credit Group, which is comprised of 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 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 Additionally, 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

**8. Long-Term Debt (continued)**

The unsecured variable rate demand bonds of both the Senior and Subordinate Credit Groups, while subject to long-term amortization periods, may be put to Ascension Health Alliance at the option of the bondholders in connection with certain remarketing dates To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2012, the principal amount of such bonds has been classified as a current liability in the accompanying Consolidated Balance Sheets Management believes the likelihood of a material amount of bonds being put to Ascension Health Alliance to be remote However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including the line of credit, commercial paper program, and maintaining unrestricted assets as a source of self-liquidity

On January 1, 2012, Alexian Brothers became part of Ascension Health Alliance Subsequently, Ascension Health Alliance redeemed or refinanced a portion of Alexian Brothers' debt; however, a portion of the bonds previously issued for the benefit of Alexian Brothers remains outstanding (the Alexian Brothers' Bonds). The Alexian Brothers' Bonds continue to be secured by the Alexian Brothers Health System Master Trust Indenture (As Amended and Restated), dated October 1, 1992, between the Members of the Alexian Brothers Health System Obligated Group established under this document and the Alexian Brothers Health System Master Trustee

In May 2012, Ascension Health Alliance issued a total of $435,370 of tax-exempt bonds, Series 2012A through 2012E, through four different issuing authorities in four different states The proceeds of the bonds, including original issue premium, were used to reimburse Ascension Health Alliance for previous capital expenditures

Due to aggregate financing activity during the fiscal years ended June 30, 2012 and 2011, losses on extinguishment of debt of $2,828 and $1,007 were recorded, which are included in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets

Ascension Health Alliance is a party to multiple interest rate swap agreements that convert the variable or fixed rates of certain debt issues to fixed or variable rates, respectively See the Derivative Instruments note for a discussion of these derivatives

**8. Long-Term Debt (continued)**

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 debt (including commercial paper) or for general corporate purposes, towards 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 The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups Of this $50,000 revolving line of credit, letters of credit totaling $26,067 have been issued as of June 30, 2012 No borrowings were outstanding under the letters of credit as of June 30, 2012 and 2011

**9. Derivative Instruments**

The System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates At June 30, 2012 and 2011, the notional values of outstanding interest rate swaps were $2,189,232 and $2,310,187, respectively

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate At June 30, 2012 and 2011, the fair value of interest rate swaps in an asset position was $94,082 and $64,426, respectively, while the fair value of interest rate swaps in a liability position was $248,511 and $141,287, respectively

Prior to July 1, 2006, the System designated certain of its interest rate swaps as cash flow hedges, for accounting purposes, and accordingly deferred gains or losses associated with those swaps in net assets As of June 30, 2012, the deferred net gain associated with these interest rate swaps was $4,660 The portion of this gain that will be reclassified into nonoperating gains (losses) over the next 12 months is immaterial

**9. Derivative Instruments (continued)**

Beginning July 1, 2006, previously designated cash flow hedging relationships were de-designated for accounting purposes Accordingly, all changes in the fair value of interest rate swaps have been recognized in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets A net nonoperating loss of $77,568 was recognized for the year ended June 30, 2012, while a net nonoperating gain of $25,257 was recognized for the year ended June 30, 2011

The System's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria. The System's collateral requirements are based upon Ascension Health Alliance's Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies, as well as the net liability position of total interest rate swap agreements outstanding with each counterparty At June 30, 2012 and 2011, based upon the System's net liability positions and Senior Debt Credit Ratings, no collateral on interest rate swap agreements was required to be posted The aggregate net fair value of interest rate swap agreements with credit-risk-related contingent features on June 30, 2012 and 2011, was a liability of $154,429 and $76,861, respectively

**10. Retirement Plans**

**Defined-Benefit Plans**

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans covering substantially all eligible employees of certain System entities Benefits are based on each participant's years of service and compensation Substantially all of the System Plans' assets are invested in a master trust (the Trust) consisting of cash and cash equivalents, equity, fixed income funds, and alternative investments Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants

**10. Retirement Plans (continued)**

During the year ended June 30, 2012, the System approved and communicated to employees a redesign of associate retirement benefits, which affects certain System Plans, as well as provides an enhanced comprehensive defined contribution plan These changes will become effective January 1, 2013 This redesign resulted in the recognition of one-time curtailment gains of $415,834, of which $414,294 was recognized in total impairment, restructuring and nonrecurring gains for the year ended June 30, 2012, with the remaining amount recognized in nonoperating losses for the year ended June 30, 2012 This redesign also resulted in a one-time decrease to the projected benefit obligation as of December 31, 2011 The projected benefit obligation is included in pension and other postretirement liabilities in the Consolidated Balance Sheets

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so

*(Dollars in Thousands)*

**10. Retirement Plans (continued)**

The following table sets forth the combined benefit obligations and assets of the System Plans at June 30, 2012 and 2011, components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| Change in projected benefit obligation | | |
| Projected benefit obligation at beginning of year | **$ 5,734,449** | $ 5,618,553 |
| Service cost | **194,906** | 208,253 |
| Interest cost | **311,981** | 304,365 |
| Amendments | **(5,463)** | (476) |
| Assumption change | **873,252** | (154,944) |
| Actuarial loss (gain) | **1,051** | (29,136) |
| Acquisitions | **131,174** | – |
| Curtailment | **(561,854)** | – |
| Benefits paid | **(242,250)** | (212,166) |
| Projected benefit obligation at end of year | **6,437,246** | 5,734,449 |
| Accumulated benefit obligation at end of year | **6,341,693** | 5,140,261 |
| Change in plan assets | | |
| Fair value of plan assets at beginning of year | **5,397,593** | 4,624,393 |
| Actual return on plan assets | **711,555** | 848,439 |
| Employer contributions | **14,421** | 136,927 |
| Acquisitions | **111,358** | – |
| Benefits paid | **(242,250)** | (212,166) |
| Fair value of plan assets at end of year | **5,992,677** | 5,397,593 |
| Net amount recognized at end of year and funded status | **$ (444,569)** | $ (336,856) |

The System Plans' funded status as a percentage of the projected benefit obligation at June 30, 2012 and 2011, was 93 1% and 94 1%, respectively The System Plans' funded status as a percentage of the accumulated benefit obligation at June 30, 2012 and 2011, was 94 5% and 105 0%, respectively

*(Dollars in Thousands)*

**10. Retirement Plans (continued)**

Included in unrestricted net assets at June 30, 2012 and 2011, are the following amounts that have not yet been recognized in net periodic pension cost for the System Plans

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| Unrecognized prior service credit | **$ (16,230)** | $ (69,548) |
| Unrecognized actuarial loss | **433,352** | 33,874 |
| | **$ 417,122** | $ (35,674) |

Changes in plan assets and benefit obligations recognized in unrestricted net assets for System Plans during 2012 and 2011, include

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| Current year actuarial loss (gain) | **$ 48,601** | $ (671,223) |
| Amortization of actuarial loss (gain) | **350,877** | (130,321) |
| Current year prior service credit | **(5,463)** | (476) |
| Amortization of prior service credit | **58,781** | 11,855 |
| | **$ 452,796** | $ (790,165) |

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| **Components of net periodic benefit cost** | | |
| Service cost | **$ 194,906** | $ 208,253 |
| Interest cost | **311,981** | 304,365 |
| Expected return on plan assets | **(447,703)** | (361,295) |
| Amortization of prior service credit | **(10,646)** | (11,855) |
| Amortization of actuarial loss | **16,931** | 130,321 |
| Curtailment gain | **(415,834)** | – |
| Settlement gain | **(111)** | – |
| Net periodic benefit cost | **$ (350,476)** | $ 269,789 |

*(Dollars in Thousands)*

**10. Retirement Plans (continued)**

The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending June 30, 2013, are approximately $6,500 and $63,900, respectively

The assumptions used to determine the benefit obligation and net periodic benefit cost for the System Plans are set forth below

| | June 30, | |
|---|---|---|
| | **2012** | **2011** |
| Weighted-average discount rate | **4.42%** | 5 63% |
| Weighted-average rate of compensation increase | **4.00%** | 4 00% |
| Weighted-average expected long-term rate of return on plan assets | **8.43%** | 8 50% |

The System Plans' assets are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk Diversification is achieved by allocating to funds and managers that correlate to one of three economic strategies growth, deflation and inflation Growth strategies include U S equity, emerging market equity, global equity, international equity, directional hedge funds, private equity, high yield and private credit Deflation strategies include core fixed income, absolute return hedge funds and cash Inflation strategies include inflation-linked bonds, commodity-related investments, and real assets The System Plans use multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the System Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner

In accordance with the System Plans' asset diversification targets, as presented in the table that follows, the Trust holds certain alternative investments, consisting of various hedge funds, real asset funds, private equity funds, commodity funds, private credit funds and certain other private funds These investments do not have observable market values As such, each of these investments is valued at net asset value as determined by each fund's investment manager, which approximates fair value The fair value of the System Plans' alternative investments as of June 30, 2012, is reported in the fair value measurement table that follows Collectively, these

*(Dollars in Thousands)*

**10. Retirement Plans (continued)**

funds have liquidity terms ranging from weekly to annual with notice periods ranging from 1 to 93 days Due to redemption restrictions, investments of certain private funds, whose fair value was approximately $515,000 at June 30, 2012, cannot be redeemed However, the potential for the System Plans to sell their interest in real asset funds and private equity funds in a secondary market prior to the end of the fund term does exist

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term During these contractual periods, investment managers may require the System Plans to invest in accordance with the terms of the agreement Commitments not funded during the investment period will expire and remain unfunded As of June 30, 2012, investment periods expire between July 2012 and March 2018 The remaining unfunded capital commitments of the Trust total approximately $528,000 for 50 individual contracts as of June 30, 2012

The weighted-average asset allocation for the System Plans at the end of fiscal 2012 and 2011 and the target allocation for fiscal 2013, by asset category, are as follows

| | Target Allocation | Percentage of Plan Assets at Year-End | |
|---|---|---|---|
| **Asset Category** | **2013** | **2012** | **2011** |
| Growth | 50% | **49%** | 52% |
| Deflation | 30 | **32** | 32 |
| Inflation | 20 | **19** | 16 |
| Total | 100% | **100%** | 100% |

*(Dollars in Thousands)*

**10. Retirement Plans (continued)**

The following tables summarize fair value measurements at June 30, 2012 and 2011, by asset class and by level, for the System Plans' assets and liabilities As also discussed in the Fair Value Measurements note, the System follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritizes the inputs used to measure such fair values The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to the System Plans' assets and liabilities as presented in the following tables

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **June 30, 2012** | | | | |
| Short-term investments | $ 192,025 | $ 5,392 | $ – | $ 197,417 |
| Derivative assets – interest rate | 53,054 | 92,049 | 757 | 145,860 |
| Derivative assets – other | 10,937 | 653 | 13,472 | 25,062 |
| U S government obligations | – | 2,189,580 | 1,903 | 2,191,483 |
| Corporate and foreign fixed income securities | 70,238 | 387,734 | 28,308 | 486,280 |
| Asset-backed securities | – | 194,201 | 14,243 | 208,444 |
| Equity securities | 782,558 | – | 23,200 | 805,758 |
| Alternative investments | – | – | 1,993,923 | 1,993,923 |
| Assets not at fair value | | | | 874,681 |
| Total | | | | 6,928,908 |
| Derivative liabilities – interest rate | 1,990 | 51,180 | 33 | 53,203 |
| Derivative liabilities – other | 3,859 | 134 | 6,022 | 10,015 |
| Investments sold, not yet purchased | – | 29,342 | – | 29,342 |
| Liabilities not at fair value | | | | 843,671 |
| Total | | | | 936,231 |
| Fair value of plan assets | | | | $ 5,992,677 |

*(Dollars in Thousands)*

**10. Retirement Plans (continued)**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **June 30, 2011** | | | | |
| Short-term investments | $ 433,526 | $ 12,682 | $ – | $ 446,208 |
| Derivative assets – interest rate | 717 | 3 | 65,727 | 66,447 |
| Derivative assets – other | 74 | 2,939 | 1,159 | 4,172 |
| U.S. government obligations | – | 1,734,828 | 2,129 | 1,736,957 |
| Corporate and foreign fixed income securities | – | 406,793 | 19,462 | 426,255 |
| Asset-backed securities | – | 265,277 | 4,427 | 269,704 |
| Equity securities | 1,186,520 | – | 1,701 | 1,188,221 |
| Alternative investments | – | – | 1,591,483 | 1,591,483 |
| Assets not at fair value | | | | 221,405 |
| Total | | | | 5,950,852 |
| Derivative liabilities – interest rate | 17 | 283 | 258,882 | 259,182 |
| Derivative liabilities – other | 307 | 1,067 | 16,371 | 17,745 |
| Investments sold, not yet purchased | – | 56,451 | – | 56,451 |
| Liabilities not at fair value | | | | 219,881 |
| Total | | | | 553,259 |
| Fair value of plan assets | | | | $ 5,397,593 |

*(Dollars in Thousands)*

## 10. Retirement Plans (continued)

For the years ended June 30, 2012 and 2011, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following

| | Net Derivatives | U.S. Government Obligations | Corporate and Foreign Fixed Income Securities | Asset-Backed Securities | Equity Securities | Alternative Investments |
|---|---|---|---|---|---|---|
| **June 30, 2012** | | | | | | |
| Beginning balance | **$ (208,367)** | **$ 2,129** | **$ 19,462** | **$ 4,427** | **$ 1,701** | **$ 1,591,483** |
| Total actual return on plan assets | **167,900** | **48** | **1,431** | **(211)** | **(196)** | **(14,183)** |
| Purchases, issuances, and settlements | **48,641** | **(274)** | **9,662** | **10,517** | **21,690** | **416,623** |
| Transfers (out of) into Level 3 | **–** | **–** | **(2,247)** | **(490)** | **5** | **–** |
| Ending balance | **$ 8,174** | **$ 1,903** | **$ 28,308** | **$ 14,243** | **$ 23,200** | **$ 1,993,923** |
| Actual return on plan assets relating to plan assets still held at June 30, 2012 | **$ 9,095** | **$ 11** | **$ (820)** | **$ (477)** | **$ –** | **$ (49,802)** |

| | Net Derivatives | U.S. Government Obligations | Corporate and Foreign Fixed Income Securities | Asset-Backed Securities | Equity Securities | Alternative Investments |
|---|---|---|---|---|---|---|
| **June 30, 2011** | | | | | | |
| Beginning balance | $ (258,049) | $ 2,241 | $ 52,193 | $ 4,790 | $ 122,447 | $ 1,163,027 |
| Total actual return on plan assets | 57,843 | 99 | 1,976 | (8) | 33,096 | 171,459 |
| Purchases, issuances, and settlements | (8,161) | (211) | (29,882) | 376 | (153,343) | 256,997 |
| Transfers out of Level 3 | – | – | (4,825) | (731) | (499) | – |
| Ending balance | $ (208,367) | $ 2,129 | $ 19,462 | $ 4,427 | $ 1,701 | $ 1,591,483 |
| Actual return on plan assets relating to plan assets still held at June 30, 2011 | $ (25,056) | $ 65 | $ (195) | $ 195 | $ – | $ 154,299 |

The Trust has entered into a series of interest rate swap agreements with a net notional amount of $948,150 The combined targeted duration of these swaps and the Trust's fixed income investments approximates the duration of the liabilities of the Trust Currently, 60% of the dollar duration of the liability is subject to this economic hedge The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates

*(Dollars in Thousands)*

**10. Retirement Plans (continued)**

The expected long-term rate of return on the System Plans' assets is based on historical and projected rates of return for current and planned asset categories in the investment portfolio Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets

Information about the expected cash flows for the System Plans follows

| | |
|---|---|
| Expected employer contributions 2013 | $ 32,500 |
| Expected benefit payments | |
| 2013 | 371,100 |
| 2014 | 364,200 |
| 2015 | 371,800 |
| 2016 | 384,900 |
| 2017 | 396,900 |
| 2018–2022 | 2,065,000 |

The contribution amount above includes amounts paid to the Trust The benefit payment amounts above reflect the total benefits expected to be paid from the Trust

**Other Postretirement Benefit Plans**

In addition to the retirement plan described above, certain Health Ministries sponsor postretirement benefit plans that provide healthcare benefits to qualified retirees who meet certain eligibility requirements The total benefit obligation of these plans at June 30, 2012 and 2011, is $47,428 and $44,446, respectively The net obligation included in pension and other postretirement liabilities in the accompanying Consolidated Balance Sheets at June 30, 2012 and 2011, is $12,423 and $10,086, respectively The change in the plans' assets and benefit obligations recognized in unrestricted net assets during the year ended June 30, 2012, was $6,551

**10. Retirement Plans (continued)**

**Defined-Contribution Plans**

System entities participate in contributory and noncontributory defined-contribution plans covering all eligible associates There are three primary types of contributions to these plans 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, for certain entities, increases 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 these employer contributions immediately Expenses for the defined-contribution plans were $128,250 and $113,337 during 2012 and 2011, respectively

**11. Self-Insurance Programs**

Certain System hospitals and other entities participate 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 Trust funds and two captive insurance companies, Ascension Health Insurance, Ltd (AHIL) and Edessa Insurance Company, Ltd (Edessa) are established for the self-insurance programs Edessa was acquired as part of the Alexian Brothers business combination, as discussed in the Organizational Changes note Actuarially determined amounts, discounted at 6% for the System, excluding Alexian Brothers which are discounted at 3%, are contributed to the trusts and the captive insurance companies 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, which are discounted at 6% in 2012 and 2011 for the System, except for Alexian Brothers, which are not discounted Those entities not participating in the self-insured programs are insured under separate policies

**11. Self-Insurance Programs (continued)**

**Professional and General Liability Programs**

Professional and general liability coverage is provided on a claims-made basis through a wholly owned onshore trust and through AHIL and Edessa

AHIL has 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 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

Edessa has a self-insured retention of $1,000 per occurrence with no aggregate Excess coverage is provided through Edessa with limits up to $110,000 Edessa retains $10,000 per occurrence and $20,000 annual aggregate for professional liability The remaining excess coverage is reinsured by commercial carriers

Self-insured entities in the states of Indiana and Wisconsin are provided professional liability coverage on an occurrence basis with limits in compliance with participation in the Patient Compensation Funds The Patient Compensation Funds apply to claims in excess of the primary self-insured limit

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is professional and general liability expense of $71,687 and $69,073 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 loss reserves of approximately $596,381 and $522,489 at June 30, 2012 and 2011, respectively

AHIL and Edessa also offer physician professional liability coverage through insurance or reinsurance arrangements to nonemployed physicians practicing at the System's various facilities, primarily in Michigan, Indiana and Illinois Coverage is offered to physicians with limits ranging from $100 per claim to $1,000 per claim with various aggregate limits

*(Dollars in Thousands)*

## 11. Self-Insurance Programs (continued)

### Workers' Compensation

Workers' compensation coverage is provided on an occurrence basis through a grantor trust The self-insured 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 Workers' compensation coverage for Alexian Brothers is self-insured up to $400 per occurrence with no aggregate Excess insurance against catastrophic loss is obtained through commercial insurers Premium payments made to the trust are expensed and represent 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 $40,256 and $41,973 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 workers' compensation loss reserves of $110,657 and $98,867 at June 30, 2012 and 2011, respectively

## 12. Lease Commitments

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

| Year ending June 30 | |
|---|---|
| 2013 | $ 208,072 |
| 2014 | 191,994 |
| 2015 | 152,166 |
| 2016 | 117,939 |
| 2017 | 96,213 |
| Thereafter | 250,031 |
| Total | $ 1,016,415 |

Certain System entities are lessees under operating lease agreements for the use of space in buildings owned by third parties, including medical office buildings (MOBs), and medical and information technology equipment In addition, certain System entities have subleased space within buildings where the entity has a current operating lease commitment Certain System entities are also lessors under operating lease agreements, primarily ground leases related to third-party-owned MOBs on land owned by the System entity

*(Dollars in Thousands)*

**12. Lease Commitments (continued)**

The System's future minimum noncancelable payments associated with operating leases where a System entity is the lessee, as well as future minimum noncancelable receipts associated with operating leases where a System entity is the sublessor or lessor, are presented in the table that follows Future minimum payments and receipts relate to noncancelable leases with terms of one year or more

| | Future Payments Where the System is Lessee | Future Receipts Where the System is Sublessor/ Lessor | Net Future Payments (Receipts) |
|---|---|---|---|
| Year ending June 30 | | | |
| 2013 | $ 208,072 | $ 32,929 | $ 175,143 |
| 2014 | 191,994 | 27,783 | 164,211 |
| 2015 | 152,166 | 21,691 | 130,475 |
| 2016 | 117,939 | 17,004 | 100,935 |
| 2017 | 96,213 | 13,398 | 82,815 |
| Thereafter | 250,031 | 275,190 | (25,159) |
| Total | $ 1,016,415 | $ 387,995 | $ 628,420 |

Rental expense under operating leases amounted to $341,918 and $290,692 in 2012 and 2011, respectively

**13. Contingencies and Commitments**

The System is involved in litigation and regulatory investigations arising in the ordinary course of business Regulatory investigations also occur from time to time In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the System's Consolidated Balance Sheet.

**13. Contingencies and Commitments (continued)**

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 were provided to certain Medicare beneficiaries in accordance with national coverage criteria In connection with this nationwide review, identified System hospitals are reviewing applicable medical records and responding to the DOJ The DOJ's investigation spans a time frame beginning in 2003 and extending through the present time Through September 12, 2012, the DOJ has not asserted any claims against any System hospitals The System continues to fully cooperate with the DOJ in its investigation

The System enters into agreements with nonemployed physicians that include minimum revenue guarantees The terms of the guarantees vary The carrying amounts of the liability for the System's obligation under these guarantees were $26,675 and $15,395 at June 30, 2012 and 2011, respectively, and are included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheets The maximum amount of future payments that the System could be required to make under these guarantees is approximately $26,300 and is included in the table that follows

The System entered into agreements with sponsors for support through January 2017 The System's obligation under these agreements totals $65,808 at June 30, 2012, and is included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheets

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions The terms of guarantees are equal to the terms of the related debt, which can be as long as 28 years

*(Dollars in Thousands)*

**13. Contingencies and Commitments (continued)**

The following summary represents 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

| | | |
|---|---|---|
| Hospital de la Concepción 2000 Series A debt guarantee | $ | 31,075 |
| St Vincent de Paul Series 2000A debt guarantee | | 28,300 |
| Rehab Hospital of Indiana, Inc guarantee | | 8,210 |
| Advantage Health Solution | | 5,272 |
| Mercy Care Plan guarantee | | 5,000 |
| Physician revenue guarantees | | 26,300 |
| Information technology commitments | | 39,622 |
| Other | | 27,054 |
| Total guarantees and other commitments | $ | 170,833 |

# Supplementary Information

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# Report of Independent Auditors on Supplementary Information

The Board of Directors
Ascension Health Alliance

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole The Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs, the Credit Group Consolidated Balance Sheets, the Credit Group Consolidated Statements of Operations and Changes in Net Assets, and the Schedule of Credit Group Cash and Investments are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole

Ernst & Young LLP

September 12, 2012

Ascension Health Alliance

# Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs

*(Dollars in Thousands)*

Years Ended June 30, 2012 and 2011

The net cost, excluding the provision for bad debt expense, of providing care to persons living in poverty and community benefit programs is as follows

| | June 30, 2012 | 2011 |
|---|---|---|
| Traditional charity care provided | **$ 468,970** | $ 408,894 |
| Unpaid cost of public programs for persons living in poverty | **406,057** | 374,083 |
| Other programs for persons living in poverty and other vulnerable persons | **75,724** | 71,267 |
| Community benefit programs | **335,436** | 372,644 |
| Care of persons living in poverty and community benefit programs | **$ 1,286,187** | $ 1,226,888 |

# Ascension Health Alliance

## Credit Group[1] Financial Statements
## Consolidated Balance Sheets
*(Dollars in Thousands)*

| | June 30, 2012 | 2011 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **$ 278,692** | $ 1,107,846 |
| Short-term investments | **216,914** | 237,461 |
| Accounts receivable, less allowances for uncollectible accounts ($1,102,806 and $1,079,706 at June 30, 2012 and 2011, respectively) | **1,842,575** | 1,687,189 |
| Inventories | **207,048** | 190,514 |
| Due from brokers | **789,271** | – |
| Estimated third-party payor settlements | **158,513** | 89,747 |
| Other | **746,147** | 438,063 |
| Total current assets | **4,239,160** | 3,750,820 |
| Long-term investments | **10,356,808** | 8,117,951 |
| Property and equipment, net | **5,953,207** | 5,987,804 |
| Other assets | | |
| Investment in unconsolidated entities | **448,612** | 389,167 |
| Capitalized software costs, net | **635,871** | 486,842 |
| Due from Alexian Brothers Health System | **324,362** | – |
| Other | **675,802** | 720,565 |
| Total other assets | **2,084,647** | 1,596,574 |
| Total assets | **$ 22,633,822** | $ 19,453,149 |

*Continued on next page*

[1] The Credit Group Financial Statements are comprised of the System (see Note 1) excluding the System's investment in Via Christi Health, Inc. and assets liabilities and net assets of Alexian Brothers Health System The Credit Group Financial Statements also include the System's noncontrolling interest (see Note 2) of the CHIMCO Alpha Fund, LLC (Alpha Fund) (see Notes 4 and 5), which represents $589,493, or approximately 6 3%, of the Alpha Fund's net assets. See Note 5 for further discussion of noncontrolling interests of the Alpha Fund

| | June 30, 2012 | 2011 |
|---|---|---|
| **Liabilities and net assets** | | |
| Current liabilities | | |
| Current portion of long-term debt | **$ 38,276** | $ 29,563 |
| Long-term debt subject to short-term remarketing arrangements | **1,094,425** | 1,662,950 |
| Accounts payable and accrued liabilities | **1,876,862** | 1,814,600 |
| Estimated third-party payor settlements | **371,831** | 276,810 |
| Due to brokers | **880,613** | – |
| Current portion of self-insurance liabilities | **206,057** | 191,551 |
| Other | **429,611** | 103,093 |
| Total current liabilities | **4,897,675** | 4,078,567 |
| Noncurrent liabilities | | |
| Long-term debt (senior and subordinated) | **3,488,091** | 2,546,785 |
| Self-insurance liabilities | **490,117** | 448,624 |
| Pension and other postretirement liabilities | **470,858** | 396,058 |
| Other | **1,236,189**[2] | 676,648 |
| Total noncurrent liabilities | **5,685,255** | 4,068,115 |
| Total liabilities | **10,582,930** | 8,146,682 |
| Net assets | | |
| Unrestricted | | |
| Controlling interest | **10,979,371** | 10,832,721 |
| Noncontrolling interests | **647,515**[3] | 42,739 |
| Unrestricted net assets | **11,626,886** | 10,875,460 |
| Temporarily restricted | **322,365** | 331,563 |
| Permanently restricted | **101,641** | 99,444 |
| Total net assets | **12,050,892** | 11,306,467 |
| Total liabilities and net assets | **$ 22,633,822** | $ 19,453,149 |

[2] Includes $238,142 representing the amount due to ABHS from Ascension Health Alliance attributable to ABHS's interest in investments held by Ascension Health Alliance.

[3] Includes $589,493 attributable to the Alpha Fund (see Notes 4 and 5)

# Ascension Health Alliance

## Credit Group[1] Financial Statements
## Consolidated Statements of Operations and Changes in Net Assets
*(Dollars in Thousands)*

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| Operating revenue | | |
| Net patient service revenue | **$ 15,113,938** | $ 14,565,006 |
| Other revenue | **971,911** | 789,975 |
| Total operating revenue | **16,085,849** | 15,354,981 |
| Operating expenses | | |
| Salaries and wages | **6,461,456** | 6,188,630 |
| Employee benefits | **1,403,062** | 1,444,867 |
| Purchased services | **754,188** | 771,836 |
| Professional fees | **1,014,882** | 889,375 |
| Supplies | **2,235,902** | 2,261,568 |
| Insurance | **89,987** | 92,168 |
| Bad debts | **983,648** | 991,974 |
| Interest | **128,010** | 129,014 |
| Depreciation and amortization | **651,473** | 656,859 |
| Other | **1,774,154** | 1,556,110 |
| Total operating expenses before impairment, restructuring, and nonrecurring gains, net | **15,496,762** | 14,982,401 |
| Income from operations before self-insurance trust fund investment return and impairment, restructuring, and nonrecurring gains (losses), net | **589,087** | 372,580 |
| Self-insurance trust fund investment return | **17,197** | 90,402 |
| Impairment, restructuring, and nonrecurring gains (losses) | **301,153** | (92,387) |
| Income from operations | **907,437** | 370,595 |
| Nonoperating gains (losses) | | |
| Investment return | **(137,550)** | 1,129,859 |
| Loss on extinguishment of debt | **(2,828)** | (1,007) |
| (Loss) gain on interest rate swaps | **(74,773)** | 30,879 |
| Income from unconsolidated entities | **8,830** | 11,915 |
| Contributions from business combinations | **6,655** | – |
| Other | **(69,475)** | (68,999) |
| Total nonoperating (losses) gains, net | **(269,141)** | 1,102,647 |
| Excess of revenues and gains over expenses and losses | **638,296** | 1,473,242 |
| Less noncontrolling interests | **16,119** | 27,484 |
| Excess of revenues and gains over expenses and losses attributable to controlling interest | **622,177** | 1,445,758 |

*Continued on next page*

[1] Includes the loss of $136,778 attributable to the Alpha Fund Of the Alpha Fund's loss, a loss of $9,278 is included in the noncontrolling interests

| | Year Ended June 30, 2012 | 2011 |
|---|---|---|
| Unrestricted net assets, controlling interest | | |
| Excess of revenues and gains over expenses and losses | **$ 622,177** | $ 1,445,758 |
| Transfer to sponsors and other affiliates, net | **(44,947)** | (14,495) |
| Contributed net assets | **(400)** | (374) |
| Net assets released from restrictions for property acquisitions | **68,741** | 70,555 |
| Pension and other postretirement liability adjustments | **(447,982)** | 793,897 |
| Change in unconsolidated entities' net assets | **(4,991)** | 5,592 |
| Other | **9,050** | (2,778) |
| Increase in unrestricted net assets, controlling interest, before (loss) gain from discontinued operations and cumulative effect of change in accounting principle | **201,648** | 2,298,155 |
| (Loss) gain from discontinued operations | **(54,998)** | 19,421 |
| Cumulative effect of change in accounting principle | **–** | (45,993) |
| Increase in unrestricted net assets, controlling interest | **146,650** | 2,271,583 |
| Unrestricted net assets, noncontrolling interests | | |
| Excess of revenues and gains over expenses and losses | **16,119** | 27,484 |
| Distributions of capital | **(578,445)** | (33,854) |
| Contributions of capital | **1,167,102** | 7,973 |
| Increase in unrestricted net assets, noncontrolling interests | **604,776**[2] | 1,603 |
| Temporarily restricted net assets, controlling interest | | |
| Contributions and grants | **100,667** | 100,679 |
| Net change in unrealized gains/losses on investments | **(5,333)** | 15,714 |
| Investment return | **4,695** | 8,295 |
| Net assets released from restrictions | **(102,713)** | (103,654) |
| Other | **(6,514)** | 496 |
| (Decrease) increase in temporarily restricted net assets, controlling interest | **(9,198)** | 21,530 |
| Permanently restricted net assets, controlling interest | | |
| Contributions | **5,081** | 8,030 |
| Net change in unrealized gains/losses on investments | **(25)** | 1,692 |
| Investment return | **(217)** | (62) |
| Other | **(2,642)** | (87) |
| Increase in permanently restricted net assets, controlling interest | **2,197** | 9,573 |
| Increase in net assets | **744,425** | 2,304,289 |
| Net assets, beginning of year | **11,306,467** | 9,002,178 |
| Net assets, end of year | **$ 12,050,892** | $ 11,306,467 |

[2] Includes net contributions of $598,771, comprised of distributions of $548,962 and contributions of $1,147,733, attributable to the Alpha Fund

# Ascension Health Alliance

## Schedule of Credit Group Cash and Investments

*(Dollars in Thousands)*

June 30, 2012

The Credit Group's cash and investments at June 30, 2012, are presented in the table that follows Total cash and investments, net, includes both the Credit Group's membership interest in the Alpha Fund as well as the noncontrolling interests held by other Alpha Fund members Credit Group unrestricted cash and investments, net, represent the Credit Group's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use

| | June 30, 2012 |
|---|---|
| Cash and cash equivalents | $ 278,692 |
| Short-term investments | 216,914 |
| Long-term investments | 10,356,808 |
| Subtotal | 10,852,414 |
| Other Alpha Fund and Ascension Legacy Portfolio assets and liabilities | |
| In other current assets | 360,999 |
| In other long-term assets | 2,924 |
| In accounts payable and accrued liabilities | (12,779) |
| In other current liabilities | (322,873) |
| In other noncurrent liabilities | (157,073) |
| Due from (to) brokers, net | (91,342) |
| Total cash and investments, net | 10,632,270 |
| Less noncontrolling interests of Alpha Fund | 589,493 |
| Less Alexian Brothers Health System Interest in investments held by Ascension Health Alliance | 238,124 |
| Credit Group cash and investments, including assets limited as to use | 9,804,653 |
| Less assets limited as to use | 1,064,385 |
| Credit Group unrestricted cash and investments, net | $ 8,740,268 |

At June 30, 2011, the Credit Group's investments were comprised of its pro rata share of the Ascension Legacy Portfolio's funds held for participants and certain other investments

| | June 30, 2011 |
|---|---|
| Cash and cash equivalents | $ 1,107,846 |
| Short-term investments | 237,461 |
| Long-term investments | 8,117,951 |
| Credit Group cash and investments | 9,463,258 |
| Less assets limited as to use | 994,297 |
| Credit Group unrestricted cash and investments | $ 8,468,961 |