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DLN: 93493133053173

Return of Organization Exempt From Income Tax

OMB No 1545-0047

2011

Form **990**

Department of the Treasury

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

Open to Public

	revenue		·			Inspection
		2011 calendar year, or tax year beginning 07-01-2011 C Name of organization	and ending 06-30-20	12	D Employer	identification number
_	eck ıf a _l dress ch	METHODIST CHILDREN'S HOSPITAL			75-2428	911
_	me chai	Doing Business As		_	E Telephone	
_	tıal retui	TO COVERN IN CONTENT OF THE	t to street address \ Doom/s	····to	(806)72	5-1011
_	rmınate	3610 21ST STREET	to street address) Room/s	suite	G Gross recei	pts \$ 72,405,450
_	nended i	ceturn City or town, state or country, and ZIP + 4 LUBBOCK, TX 794101218 pending				
Арі	plication					
		F Name and address of principal officer RICHARD PARKS		H(a) Is thus afful a		turn for 「Yes アNo
		3615 19TH STREET LUBBOCK,TX 794101203				
		Lobbook, TX / 5 1101200		H(b) Are all		<pre>luded?</pre>
r Ta	x-exem	pt status	947(a)(1) or	H(c) Grou		
J W	ebsite	: ► WWW COVENANTHEALTH ORG				
		anization 🔽 Corporation 🦳 Trust 🦳 Association 🦳 Other 🕨		L Year of for	mation 1998	M State of legal domicile TX
Pa	rt I	Summary				
		Briefly describe the organization's mission or most sign SEE SCHEDULE O	ificant activities			
<u>ខ</u>	-	-				
Governance	-					
<u> </u>	2 (Check this box 🛏 if the organization discontinued its	operations or disposed	of more than 2	5% of its ne	t assets
3		Number of voting members of the governing body (Part			3	1
ණ ග	1	Number of independent voting members of the governing			4	
ĕ	1	Fotal number of individuals employed in calendar year 2			5	5 295
Activities &	6	Total number of volunteers (estimate if necessary) .			-	5 22
ž	7a 1	Total unrelated business revenue from Part VIII, colum	nn (C), line 12		7	a 0
	ы	Net unrelated business taxable income from Form 990-	T, line 34		7	b 0
				Prio	Year	Current Year
	8	Contributions and grants (Part VIII, line 1h)			263,721	350,979
a E	9	Program service revenue (Part VIII, line 2g)		75,188,788	71,731,500	
Revenuk	10	Investment income (Part VIII, column (A), lines 3, 4	, and 7d)		30,239	322,971
	11	Other revenue (Part VIII, column (A), lines $5,6d,8c$			(0
	12	Total revenue—add lines 8 through 11 (must equal Pa			75,482,748	72,405,450
	13	Grants and similar amounts paid (Part IX, column (A)			(
	14	Benefits paid to or for members (Part IX, column (A),	•		(+
	15	Salaries, other compensation, employee benefits (Pai				
8		5-10)			25,391,727	+
Expenses	16a	Professional fundraising fees (Part IX, column (A), lin	ne 11e)			0
핓	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0	446.24.)		20.042.10	20.070.767
	17	Other expenses (Part IX, column (A), lines 11a-11d			28,842,197	
	18 19	Total expenses Add lines 13-17 (must equal Part I) Revenue less expenses Subtract line 18 from line 12			54,233,924 21,248,824	
አ ው	129	Nevenue less expenses Subtract line 10 nom line 12			of Current	
Net Assets or Fund Balances		Tabella and Apart VIII and C		Y	ear	End of Year
A 55	20	Total labelities (Part X, line 16)			42,512,444	
3.5 3.5	21	Total liabilities (Part X, line 26)			1,965,284	
			ie 20		40,547,100	34,009,934
Par Unde know		Net assets or fund balances Subtract line 21 from line Signature Block ties of perjury, I declare that I have examined this return, in the belief, it is true, correct, and complete. Declaration of particles are the second complete.	ncluding accompanying	schedules and st		d to the best of my
		****** Signature of officer		20 Da	13-05-13	
Sigr Her				Da		
	_	JEANNA ADLER CHIEF ACCOUNTING OFFICER Type or print name and title				
		Preparer's signature	Date	Check if self-	Preparer's ta	xpayer identification number
Paid		· •		employed •	,	,
Prepa Use (arer's Only	Firm's name (or yours FIRNST & YOUNG US LLP FIRNST & FIRNST & YOUNG US LLP FIRNST & YOUNG US LLP FIRNST & YOUNG US LLP			EIN Þ	
Joe (Oilly.	address, and ZIP + 4 401 CONGRESS AVENUE SUITE 1800			Dhono no	/F13) 479 0001
		ALICTIN TV 70701			Luone no	(512) 478-9881

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

Par	t III		of Program Ser dule O contains a re		ishments estion in this Part III		r
1	Briefl	ly describe the	organization's missi	on			
SEE	SCHEE	OULE O					
2	the pr	rıor Form 990 o	r990-EZ?		rvices during the year v	which were not listed on · · · · · ·	┌ Yes ┌ No
			ese new services on				
3	servi	ces?			t changes in how it con	ducts, any program	┌ Yes ┌ No
	If "Ye	s," describe the	ese changes on Sch	edule O			
4	exper	nses Section 50	01(c)(3) and 501(c)	(4) organizations	and section 4947(a)(:	ee largest program service 1) trusts are required to re n program service reported	port the amount of
4a	(Code	e) (Expenses \$	55,629,775	ıncludıng grants of \$	0) (Revenue \$	71,731,500)
	SEE S	SCHEDULE O					
4b	(Code	Α) (Expenses \$		including grants of \$) (Revenue \$)
40	(Cour	C) (Expenses \$		including grants or \$) (Nevenue \$,
4 c	(Code	e) (Expenses \$		including grants of \$) (Revenue \$)
4d	O+b	ar program conv	ıces (Describe in S	chedule O \			
TU		er program serv enses \$		icluding grants of	\$) (Revenue \$)
4e	Tota	ıl program servi		55,629,77!			

			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? <i>If</i> "Yes," complete Schedule C, Part II	4		No
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 1	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 $\sqrt{2}$	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? <i>If "Yes," complete Schedule D, Part VI.</i>	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? 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	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? If "Yes," complete Schedule F, Part II and IV.	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $$5,000$ of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Part III and IV	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If</i> "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? <i>If</i> "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	

Par	t IV Checklist of Required Schedules (continued)			
21	Did the organization report more than $$5,000$ of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line $1?$ If "Yes," complete Schedule I, Parts I and II	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
C	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II	26		N o
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? If "Yes," complete Schedule L, Part III	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
а	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part			
		28a		No
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b	Yes	
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 Ma	29	Yes	
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			No
27	organization? If "Yes," complete Schedule R, Part V, line 2	36		
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?	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		.୮	
			Yes	No
3	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable			
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1b			
_				
С	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
1	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax	-	-	
	Statements filed for the calendar year ending with or within the year covered by this			
	return			
Ь	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			
ı	Did the organization have unrelated business gross income of \$1,000 or more during the			
	year?	За		Νo
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b		
	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	4a		No
h	account)?			1/1 0
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			
	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No
	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
		5b		
С	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the	6a		No
	organization solicit any contributions that were not tax deductible?			
)	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts			
	were not tax deductible?	6b		
	Organizations that may receive deductible contributions under section 170(c).	<u> </u>		
3	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		Νo
)	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to	"		
•	file Form 8282?	7c		Νo
i	If "Yes," indicate the number of Forms 8282 filed during the year			
2	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		Νo
	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as	/'		INU
,	required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a			
	Form 1098-C?	7h		
	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did			
	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. Did the organization make any taxable distributions under section 49663	0-		
	Did the organization make any taxable distributions under section 4966?	9a		
	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
_	Section 501(c)(7) organizations. Enter			
	Initiation fees and capital contributions included on Part VIII, line 12 10a			
)	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities			
	Section 501(c)(12) organizations. Enter			
	Gross income from members or shareholders			
	Gross income from other sources (Do not net amounts due or paid to other			
•	sources against amounts due or received from them)			
	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
)	If "Yes," enter the amount of tax-exempt interest received or accrued during the year 12b			
	Section 501(c)(29) qualified nonprofit health insurance issuers.			
	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	13a		
	allocated to each state			
U	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			
2	Enter the aggregate amount of reserves on hand			
	13c			
3	Did the organization receive any payments for indoor tanning services during the tax year?	14a		Νo
)	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b		

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

Se	ction A. Governing Body and Management			
			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax			
L	year			
D	Enter the number of voting members included in line 1a, above, who are independent			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the			
•	year by the following The governing body?	8a	Yes	
a 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	H	103	
	organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		Νo
	ction B. Policies (This Section B requests information about policies not required by the Internal			
ке	venue Code.)		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	103	No
	If "Yes," did the organization have written policies and procedures governing the activities of such chapters,			110
_	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	
	Were officers, directors or trustees, and key employees required to disclose annually interests that could give			
	rise to conflicts?	12b	Yes	
C	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
а	The organization's CEO, Executive Director, or top management official	15a		No
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a			
	taxable entity during the year?	16a		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the			
	organization's exempt status with respect to such arrangements?	16b		
Se	ction 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

☐ O wn website ☐ A nother's website ☑ U pon 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 ► SHARON CLARK
 2107 OXFORD
 LUBBOCK,TX 79410
 (806)725-5234

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

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

(a) Name and Title A verage hours par week (describe hours for related organizations in Schedule O) See Additional Data Table (b) Position (do not check more than one box, unless person is both an officer and a director/trustee) (c) Position (do not check more than one box, unless person is both an officer and a director/trustee) (describe hours for related organizations is not should be a director/trustee) (describe hours for related organizations is not should be a director/trustee) (describe hours for related organizations is not should be a director/trustee) (describe hours for related organizations) (describe hours for related organizations) (describe hours for the director/trustee) (describe hours for related organizations) (describe hours for the director/trustee) (describe hours for related organizations) (describe hours for the director/trustee) (de	Check this box if neither the organiz	•	lated o	rganı	ızatı	ons	compe	ensat	ed any current or fo	ormer officer, direct	tor, or trustee
for related organizations in Schedule Officer Schedule O) organizations	(A)	Average hours per week	(C) Position (do not check more than one box, unless person is both an officer and a						(D) Reportable compensation from the organization (W-	(E) Reportable compensation from related organizations	(F) Estimated amount of other compensation from the
See Additional Data Table		for related organizations in Schedule	Individual trustee or director	Institutional Trustee	Officei	Ke) emplojee	Former Highest compensated employee			MISC)	I
	See Additional Data Table										

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

(A) Name and Title	(B) A verage hours per week (describe	unles an	on (d e thai	n one son er ar	e bo is b nd a	x, oth		Repo compe fror organiz	D) ortable ensation orthe ation (W- O-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-	amo	mpens from t inizati	ited fother sation the on and
	hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Fointer			MISC)	org	relate ganıza	
See Additional Data Table						-							
4h Cub Takal							<u> </u> ►						
c Total from continuation sheet:	s to Part VII, Sec						<u>-</u>						
d Total (add lines 1b and 1c) .			•				>		636,291	3,583,000			257,048
2 Total number of individuals (ind \$100,000 of reportable compe						above) who	o receive	d more tha	in			
												Yes	No
3 Did the organization list any fo						mploy	ee, c	or highest	compens	ated employee			
on line 1a? If "Yes," complete So 4 For any individual listed on line						sation	• and	other con	nnencatio	n from the	3	Yes	
organization and related organi												,	
5 Did any person listed on line 1	receive or accru	ie comp	• oensa	• ition	• fror	m any	• unrel	lated org	anızatıon d	or individual for	4	Yes	
services rendered to the organ	ızatıon? <i>If "Yes,"</i>	complet	e Sch	edul	e J f	or sucl	n per:	son .		. [5		No
Section B. Independent Co	ntractors												
Complete this table for your fiv \$100,000 of compensation fro or within the organization's tax	m the organizatio												
N;	(A) ame and business ad	dress							Desci	(B) ription of services	С	(C) ompen	
TTUHSC 3601 4TH STREET LUBBOCK, TX 79430									PHYSICIAN S	SERVICES			436,806
NEONATAL INTENSIVE CARE ASSOC 26 BRENTWOOD CIRCLE BRENTWOOD, TX 79407									PHYSICIAN S	SERVICES			341,600
NURSEFINDERS PO BOX 910738								ı					
DALLAS, TX 753910738									NURSING SE	ERVICES			162,745

\$100,000 of compensation from the organization $\blacktriangleright 3$

Form 9		<u> </u>						Page 9
Part \	<u>/##1</u>	Statement of	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
\$ £	1a	Federated cam	paigns 1a					
즐듯	b	Membership du	es 1b					
% E	С	Fundraising ev	ents 1c					
£ a	d	Related organiz	zations 1d	350,965				
હેં≣	e	Government grant	s (contributions) 1e	14				
ાં ક	f	All other contribution	ons, gifts, grants, and 1f	0				i i
ē ₽	g	sımılar amounts no Noncash contri	ot included above ibutions included in					
Contributions, gifts, grants and other similar amounts		lines 1a-1f \$ _	89,036					
္မ	h	Total. Add line:	s 1a-1f	▶	350,979			
				Business Code				
Program Service Revenue	2a	PATIENT CARE SE	RVICES	622110	69,558,677	69,558,677		
eg Eg	ь	CAFETERIA		722210	75,094	75,094		
- O.S	С	ELECTRONIC MED	ICAL RECORDS	900099	1,974,748	1,974,748		
er M	d	CHILD CARE		900099	92,346	92,346		
<u>မ</u>	e	ALL OTHER PROGR	AM SERVICE REVENUE	900099	30,635	30,635		
_ East	f	All other progra	am service revenue					
<u>&</u>	g	Total Add lines	s 2a-2f	L	71,731,500			
	3		ome (including dividen		71,731,300			
			aramounts)	. F	322,971			322,971
	4		stment of tax-exempt bond	F	0			
	5	Royalties		▶ [0			
			(ı) Real	(II) Personal				
	6a	Gross rents						
	b	Less rental expenses						
	С	Rental income or (loss)						
	d	Net rental inco	me or (loss)	🛌				
			(ı) Securities	(II) Other				
	7a	Gross amount from sales of						
		assets other than inventory						
	b	Less cost or other basis and						
		sales expenses						
	c d	Gain or (loss) Net gain or (los	[ss)	▶	o			
	8a		rom fundraising		, and the second			
Other Revenue		events (not inc \$ of contributions	luding s reported on line 1c)					
r Re		See Part IV, lır	ne 18 a					
ф	b		penses b					
Ò	С		(loss) from fundraising	events 🟲	0			
	9a	Gross income f See Part IV, lir	rom gaming activities ne 19 a					
	Ь		penses b (loss) from gaming acti	vutios 🛌	ol			
	10a	Gross sales of returns and allo	inventory, less	vicies	, , ,			
	ь	=	a oods sold b					
	С	Net income or i	(loss) from sales of inv	Business Code	0			<u> </u>
	11a	miscellaneou:	s Revellue	Dusilless Code				
	ь			 				-
				 				
	l 4	All other rayer		 				
	d e		ue s 11a-11d					
	12		See Instructions .		0			
		rotar revenue.	See Instructions .	• • [72,405,450	71,731,500		322,971

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 no	of include amounts reported on lines 6b, by, 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		САРСПЭСЭ	general expenses	САРСПЭСЭ
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	0			
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	129,498		129,498	
7	Other salaries and wages	19,479,687	17,974,691	· · ·	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	674,305	674,305		
9	Other employee benefits	7,214,053	7,114,146	 	
10	Payroll taxes	935,776	848,409	87,367	
11	Fees for services (non-employees)		210,103	37,337	_
a	Management	55,221	55,221		
b	Legal	2,495	2,495		
c	Accounting	98,894	2,133	98,894	
d	Lobbying	0		30,031	
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	15,370,618	14,260,581	1,110,037	
12	Advertising and promotion	361,356	360,530	 	
13	Office expenses	1,481,706	1,209,874	271,832	
14	Information technology	608,806	608,806	271,002	
15	Royalties	0	333,333		
16	Occupancy	631,139	630,446	693	
17	Travel	108,648	· · · · · ·	 	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	51,121	53,555	
19	Conferences, conventions, and meetings	29,806	18,091	11,715	
20	Interest	970,094	970,094		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	4,141,380	4,141,380		
23	Insurance	240,007		240,007	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	6,663,389	6,655,070	8,319	
b	ALL OTHER EXPENSES	215,208	55,519	159,689	
c					
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	59,412,086	55,629,775	3,782,311	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				rm 990 (2011)

Part X **Balance Sheet** (A) (B) Beginning of year End of year 413,716 899,161 1 1 9.329.735 21.119.124 2 2 3 0 3 0 12.007.191 10.302.547 4 5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of 0 0 5 6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of 0 0 6 0 0 7 0 0 8 107,133 9 9 108,115 Prepaid expenses and deferred charges 10a 5,502,075 Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D 10a 10b 3,421,043 b Less accumulated depreciation 2,284,804 **10c** 2,081,032 11 0 11 0 12 0 12 Investments—other securities See Part IV, line 11 13 0 13 0 Investments—program-related See Part IV, line 11 . . 0 14 14 18,369,865 15 24,863,788 15 42,512,444 59,373,767 16 Total assets. Add lines 1 through 15 (must equal line 34) . . . 16 1,697,141 17 1,423,564 17 Accounts payable and accrued expenses . 18 0 18 0 19 0 19 0 20 0 20 0 0 21 21 0 Escrow or custodial account liability Complete Part IV of Schedule D . . Liabilities 22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified 0 0 22 0 0 23 Secured mortgages and notes payable to unrelated third parties . . . 23 0 24 Unsecured notes and loans payable to unrelated third parties 24 0 25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule 268,143 25 3,940,269 D 26 26 1,965,284 5,363,833 **Total liabilities.** Add lines 17 through 25 Organizations that follow SFAS 117, check here ▶ 🔽 and complete lines 27 Balances through 29, and lines 33 and 34. 27 40,547,160 27 54,009,934 Unrestricted net assets 0 28 0 28 Temporarily restricted net assets Fund 29 0 29 0 Permanently restricted net assets Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34. ö 30 Capital stock or trust principal, or current funds 30 Assets 31 31 Paid-in or capital surplus, or land, building or equipment fund 32 32 Retained earnings, endowment, accumulated income, or other funds ¥ 33 Total net assets or fund balances 40.547.160 33 54.009.934 34 Total liabilities and net assets/fund balances 42.512.444 59.373.767

Pal	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		72,4	105,45
2	Total expenses (must equal Part IX, column (A), line 25)	2			112,08
3	Revenue less expenses Subtract line 2 from line 1	3		12,9	993,36
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4		40,5	547,16
5	Other changes in net assets or fund balances (explain in Schedule O)	5		4	69,41
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		54,0	09,93
Par	Table 1 The Check of Schedule O contains a response to any question in this Part XII			৮	
1	Accounting method used to prepare the Form 990			Yes	No
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 is on a separate basis, consolidated basis, or both Separate basis Both consolidated and separated basis	sued			
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		Νo
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the reaudit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	quired	3b		

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As Filed Data -

DLN: 93493133053173

OMB No 1545-0047

2044

2011

Public Charity Status and Public Support

SCHEDULE A

Department of the Treasury Internal Revenue Service

h

(Form 990 or 990EZ)

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.

Inspection

Name of the organization METHODIST CHILDREN'S HOSPITAL

Employer identification number

			75-2428911							
Pa	rt I	Reason for Public Charity Status (All organizations must complete this pair	t.) See ınstruc	tions						
The	organı	zation is not a private foundation because it is (For lines 1 through 11, check only one box)							
1	Γ	A church, convention of churches, or association of churches section 170(b)(1)(A)(i).								
2	Γ	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)								
3	<u></u>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A	ı)(iii).							
4	Γ	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	Γ	An organization operated for the benefit of a college or university owned or operated by a g	overnmental unit	describe	- ed in					
•	_	section 170(b)(1)(A)(iv). (Complete Part II)	A) ()							
6 7	<u>'</u>	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).								
,	'	An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi) (Complete Part II)								
8	Г	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)								
9	Г	An organization that normally receives (1) more than 331/3% of its support from contribu	tıons, membershı	p fees, ar	nd gros	ss				
		receipts from activities related to its exempt functions—subject to certain exceptions, and	•		_					
		its support from gross investment income and unrelated business taxable income (less se	ction 511 tax) fro	om busine	esses					
		acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part I	II)							
10	Γ	An organization organized and operated exclusively to test for public safety. Seesection 50	09(a)(4).							
11	Γ	An organization organized and operated exclusively for the benefit of, to perform the function one or more publicly supported organizations described in section 509(a)(1) or section 50 the box that describes the type of supporting organization and complete lines 11e through a Type I b Type II c Type III - Functionally integrated	9(a)(2) See sec t 11h		a)(3).	Check				
e	Γ	By checking this box, I certify that the organization is not controlled directly or indirectly other than foundation managers and other than one or more publicly supported organization section 509(a)(2)								
f		If the organization received a written determination from the IRS that it is a Type I, Type I check this box		porting o	rganız	ation,				
g		Since August 17, 2006, has the organization accepted any gift or contribution from any of following persons?			, ,					
		(i) a person who directly or indirectly controls, either alone or together with persons descr	ibed in (ii)		Yes	No				
		and (III) below, the governing body of the the supported organization?		11g(i)		<u> </u>				

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

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

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

Provide the following information about the supported organization(s)

11g(ii)

11g(iii)

instructions

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

▶□

Schedule A (Form 990 or 990-EZ) 2011 Page 3 Part III Support Schedule for Organizations Described in IRC 509(a)(2) (Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.) Section A. Public Support Calendar year (or fiscal year beginning (a) 2007 **(b)** 2008 (c) 2009 (d) 2010 (e) 2011 (f) Total ın) Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ") Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose Gross receipts from activities that are not an unrelated trade or business under section 513 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf The value of services or facilities furnished by a governmental unit to the organization without charge Total. Add lines 1 through 5 7a Amounts included on lines 1, 2, and 3 received from disqualified persons Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year c Add lines 7a and 7b Public Support (Subtract line 7c from line 6) Section B. Total Support Calendar year (or fiscal year beginning (a) 2007 **(b)** 2008 (c) 2009 (d) 2010 (e) 2011 (f) Total ın) Amounts from line 6 Gross income from interest, 10a dividends, payments received on securities loans, rents, royalties and income from similar sources Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 Add lines 10a and 10b C Net income from unrelated 11 business activities not included in line 10b, whether or not the business is regularly carried on Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV) Total support (Add lines 9, 10c, 13 11 and 12) First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here Section C. Computation of Public Support Percentage Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f)) 15 15 Public support percentage from 2010 Schedule A, Part III, line 15 16 16 Section D. Computation of Investment Income Percentage

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

19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not

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

33 1/3% support tests-2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line

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

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

17

18

17

18

▶[

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

Schedule A (Form 990 or 990-EZ) 2011

DLN: 93493133053173

OMB No 1545-0047

Open to Public

Inspection

SCHEDULE D

(Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

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

	me of the organization FHODIST CHILDREN'S HOSPITAL			Empl	oyer identifica	tion numbe	er
				75-2	428911		
Pa	Organizations Maintaining Donor Adorganization answered "Yes" to Form 99	0, Part IV, line 6.		_			
		(a) Donor adv	rised funds	(b) Funds and o	theraccou	ints
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 advis funds are the organization's property, subject to the o			nor advis	sed	┌ Yes	┌ No
5	Did the organization inform all grantees, donors, and oused only for charitable purposes and not for the bene conferring impermissible private benefit					┌ Yes	┌ No
Рa	rt III Conservation Easements. Complete	f the organization a	answered "Yes"	to Form	990, Part IV	, line 7.	
1 2	Purpose(s) of conservation easements held by the or Preservation of land for public use (e.g., recreation of natural habitat Preservation of open space Complete lines 2a-2d if the organization held a qualification of the complete lines 2a-2d if the organization held a qualification held.	on or pleasure)	Preservation of a Preservation of a	certified	historic struct	=	a
	easement on the last day of the tax year						
					Held at the	End of the	Year
а	Total number of conservation easements			2a			
b	Total acreage restricted by conservation easements			2b			
C	Number of conservation easements on a certified his	toric structure include	ed ın (a)	2c			
d	Number of conservation easements included in (c) ac	quired after 8/17/06		2d			
3	Number of conservation easements modified, transfer the taxable year -			ed by the	e organization (during	
4	Number of states where property subject to conserva						
5	Does the organization have a written policy regarding enforcement of the conservation easements it holds?		ng, inspection, har	ndling of	violations, and	┌ Yes	┌ No
5	Staff and volunteer hours devoted to monitoring, insp	ecting and enforcing c	onservation easer	ments du	rıng the year 🕨		
7	A mount of expenses incurred in monitoring, inspectin	g, and enforcing cons	ervation easemen	ts durıng	the year		
В	Does each conservation easement reported on line 2 $170(h)(4)(B)(i)$ and $170(h)(4)(B)(ii)$?	(d) above satisfy the r	requirements of se	ction		┌ Yes	┌ No
9	In Part XIV, describe how the organization reports co balance sheet, and include, if applicable, the text of the the organization's accounting for conservation easem	he footnote to the orga					
aı	Complete if the organization answered "	ns of Art, Historic		or Oth	er Similar <i>i</i>	Assets.	
1a	If the organization elected, as permitted under SFAS art, historical treasures, or other similar assets held provide, in Part XIV, the text of the footnote to its fine	116, not to report in it for public exhibition, e	ts revenue statem	rch ın fur			e,
b	If the organization elected, as permitted under SFAS historical treasures, or other similar assets held for p 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, histo	rıcal treasures. or oth	ner sımılar assets 1	for financ			
-	following amounts required to be reported under SFAS				, 5, p 110		
а	Revenues included in Form 990, Part VIII, line 1				▶ \$		

b Assets included in Form 990, Part X

Par	311 Organizations Maintaining Co	llections of Ar	t, His	tori	<u>cal Tr</u>	<u>easu</u>	ires, or C	the	<u>r Similar As</u>	sets (continued)
3	Using the organization's accession and othe items (check all that apply)	r records, check ar	ny of th	he fol	lowing t	that ar	e a significa	ant u	se of its collect	ion	
а	Public exhibition		d	Γ	Loan	orexc	hange prog	rams			
b	Scholarly research		e	Г	Other	-					
_	<u> </u>			'	O tilei						
c	Preservation for future generations				<i>a</i>						
4	Provide a description of the organization's co Part XIV	ollections and expl	ain hov	w the	y furthe	er the c	organizatior	ı's ex	empt purpose i	n	
5	During the year, did the organization solicit of assets to be sold to raise funds rather than t								nılar	_ Yes	┌ No
Par	Escrow and Custodial Arrang Part IV, line 9, or reported an an						n answere	d "Y	es" to Form 9	90,	
1a	Is the organization an agent, trustee, custod included on Form 990, Part X?	ıan or other ınterm	edıary	for c	ontribu	itions (or other ass	ets r		_ _{Yes}	┌ No
b	If "Yes," explain the arrangement in Part XIV	/ and complete the	follov	ving t	able		_				
									An	ount	
С	Beginning balance						-	1 c			
d	Additions during the year							1d			
е	Distributions during the year							1e			
f	Ending balance							1f			
2a	Did the organization include an amount on Fo	orm 990, Part X, Iır	ne 21?	,						_ Yes	┌ No
ь	If "Yes," explain the arrangement in Part XIV	•									
Pa	rt V Endowment Funds. Complete	f the organizatio	n ans	wer	ed "Ye						
		(a)Current Year	(Ь) Prior	Year	(c) Tw	o Years Back	(d)	Three Years Back	(e) Four '	Years Back
1a	Beginning of year balance							_			
b	Contributions										
С	Investment earnings or losses										
d	Grants or scholarships										
е	Other expenditures for facilities and programs										
f	Administrative expenses										
g	End of year balance										
2	Provide the estimated percentage of the yea	r end balance held	as								
а	Board designated or quasi-endowment										
ь	Permanent endowment -										
С	Term endowment ▶										
3a	Are there endowment funds not in the posses	ssion of the organiz	zatıon	that	are held	d and a	dministere	d for	the		
	organization by									Yes	No
	(i) unrelated organizations							•	3a(_	<u> </u>
	(ii) related organizations							-	3a(- 	
	If "Yes" to 3a(II), are the related organizatio							•	3t	<u> </u>	
4	Describe in Part XIV the intended uses of th										
Par	t VI Land, Buildings, and Equipme	ent. See Form 9	90, Pa							1	
	Description of property) Cost or is (invest		(b)Cost or o		(c) Accumulated depreciation	(d) E	Book value
1a	Land		•	<u> </u>							
b	Buildings		•				271	1,583	107,76	7	163,816
c	Leasehold improvements							0		0	0
	_						ı	7 5 4 4	2 212 27	c	1,844,268
d I	Equipment		•	<u> </u>			5,157	,544	3,313,27	0	1,044,200
	Equipment		<u>.</u>					2,948			72,948

Part VII Investments—Other Securities. Se	e Form 990, Part X, line 1	2.	-
(a) Description of security or category	(b)Book value		od of valuation
(including name of security)	(=7====================================	Cost or end-o	f-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)	F 000 D 1 V 1	12	
Part VIII Investments—Program Related. S	ee Form 990, Part X, line		
(a) Description of investment type	(b) Book value		od of valuation f-year market value
		2030 01 0110 0	year market value
		<u> </u>	
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)	*		
Part IX Other Assets. See Form 990, Part X,			
(a) Desc	ription		(b) Book value
(1) DUE FROM AFFILIATES			24,852,761
(2) OTHER RECEIVABLES			11,027
Total. (Column (b) should equal Form 990, Part X, col.(B) line		b.	24,863,788
		<u> </u>	27,003,700
Part X Other Liabilities. See Form 990, Part 1 (a) Description of Liability			
	(b) A mount		
Federal Income Taxes	0		
PAYABLE TO THIRD PARTIES	3,940,269		
		-	
		1	
		1	
		-	
Total. (Column (b) should equal Form 990, Part X, col (B) line 25)	3,940,269		

Par	t XI Reconciliation of Change in Net Assets from Form 990 to Financial Statemen	ts	
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements. Combine lines 3 and 9	10	
	Reconciliation of Revenue per Audited Financial Statements With Revenue per	er Retu	rn
1	Total revenue, gains, and other support per audited financial statements	1	
2	A mounts included on line 1 but not on Form 990, Part VIII, line 12		
а	Net unrealized gains on investments		
b	Donated services and use of facilities		
c	Recoveries of prior year grants		
d	Other (Describe in Part XIV) 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		
а	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	
art	Reconciliation of Expenses per Audited Financial Statements With Expenses	per Re	turn
1	Total expenses and losses per audited financial	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
- а	Donated services and use of facilities		
b	Prior year adjustments		
c	Other losses		
d	Other (Describe in Part XIV) 2d		
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	A mounts 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)		
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	
Par	t XIV Supplemental Information	· ·	
_	16 8 177 1 25 10 8 177	. 15.7	

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 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
CONSOLIDATED AUDIT FOOTNOTE FOR FIN 48 (ASC 740)		ACCOUNTING STANDARDS CODIFICATION (ASC) 740, INCOME TAXES, CLARIFIES THE ACCOUNTING FOR INCOME TAXES BY PRESCRIBING A MINIMUM RECOGNITION THRESHOLD THAT A TAX POSITION IS REQUIRED TO MEET BEFORE BEING RECOGNIZED IN THE FINANCIAL STATEMENTS ASC 740 ALSO PROVIDES GUIDANCE ON DERECOGNITION, MEASUREMENT, CLASSIFICATION, INTEREST AND PENALTIES, DISCLOSURE, AND TRANSITION THE GUIDANCE IS APPLICABLE TO PASS-THROUGH ENTITIES AND TAX- EXEMPT ORGANIZATIONS NO SIGNIFICANT TAX LIABILITY FOR TAX BENEFITS, INTEREST OR PENALTIES WAS ACCRUED AT JUNE 30, 2012 OR 2011

OMB No 1545-0047

Open to Public **Inspection**

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

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

Hospitals

Name of the organization METHODIST CHILDREN'S HOSPITAL **Employer identification number**

75-2428911 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 Yes 1b Yes If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals Applied uniformly to most hospitals Applied uniformly to all hospitals Generally tailored to individual hospitals 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 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 3a Yes Other_ 150% **—** 200% 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 Yes **▽** 300% T 350% 400% 200% 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 Did the organization's policy provide free or discounted care to the "medically indigent"? Yes Did the organization budget amounts for free or discounted care provided under its financial assistance policy during 5a Yes If "Yes," did the organization's charity care expenses exceed the budgeted amount? 5b Νo If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted **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 Yes Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H Charity Care and Certain Other Community Benefits at Cost (a) Number of (c) Total community (b) Persons (d) Direct offsetting (e) Net community benefit (f) Percent of Charity Care and activities or benefit expense total expense **Means-Tested** served revenue expense programs (optional) Government Programs (optional) Charity care at cost (from 1,189,480 1,189,480 2 000 % Worksheet 1) . . . Medicaid (from Worksheet 3, 33,692,994 31,720,491 1,972,503 3 320 % column a) Costs of other means-tested government programs (from Worksheet 3, column b) Total Charity Care and Means-Tested Government Programs 34,882,474 31,720,491 3,161,983 5 320 % Other Benefits Community health improvement services and community benefit operations (from 0 010 % (Worksheet 4) . . . Health professions education (from Worksheet 5) . . Subsidized health services (from Worksheet 6) . . Research (from Worksheet 7) Cash and in-kind contributions for community benefit (from Worksheet 8)

Total Other Benefits . .

k Total. Add lines 7d and 71

31,720,491

3,613

34.886.087

3.165.596

0 010 %

5 330 %

Pa	rt II Community Building	ng Activitie	s Complete t	this table if the oi	ganızat	ion con	ducte	d any commui	nity l	ouildin	g
	activities.	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense		irect offse revenue	ttıng	(e) Net communi building expense		(f) Perc total ex	
1	Physical improvements and housing										
2	Economic development										
3	Community support										
4	Environmental improvements										
5	Leadership development and training										
	for community members										
7	Coalition building Community health improvement advocacy			5,99	4		0	5	,994	0	010 %
8	Workforce development										
9	Other										
10	Total			5,99	4		0	5	,994	0	010 %
Par	t IIII Bad Debt, Medicar	e, & Collec	tion Practic	es							
Sect	ion A. Bad Debt Expense									Yes	No
1	Did the organization report ba	d debt expense	e in accordance	e with Heathcare Fir	nancıal M	lanagem	ent As	ssociation		1	
	Statement No 15?								1		No
2	Enter the amount of the organ		•			2		2,668,264			
3	Enter the estimated amount o patients eligible under the org	_		•	e to	3		0			
4	Provide in Part VI the text of t In addition, describe the cost rationale for including a portio	ing methodolog	gy used in dete	rmining the amount							
Sect	ion B. Medicare										
5	Enter total revenue received f	rom Medicare	(including DSH	and IME)		5		0			
6	Enter Medicare allowable cost	s of care relat	ing to payment	s on line 5		6		0	1		
7	Subtract line 6 from line 5 Th	ıs ıs the surplu	ıs or (shortfall))		. 7		0			
8	Describe in Part VI the extent Also describe in Part VI the c Check the box that describes	osting method	ology or source		the amo						
	Cost accounting system	Co	st to charge ra	itio I	Other						
Sect	ion C. Collection Practices										
9a	Did the organization have a wr	ntten debt coll	ection policy d	uring the tax year?					9a	Yes	
b	If "Yes," did the organization's contain provisions on the coll assistance? Describe in Part	ection practice VI	s to be followe	d for patients who a	re known	to qual	ify for t	inancial	9b	Yes	
Pa	rt IV Management Com	panies and	Joint Ventu	ires (see instruct	ions)						
	(a) Name of entity	(E	o) Description of p activity of entit		(c) Organı profit % o ownersh	r stock	er) Officers, directors, trustees, or key mployees' profit % stock ownership%	pro	e) Physic ofit % or ownershi	stock
1		<u> </u>									
2											
3											
4											
5											
6											
7		1									
8									+		
9		1									
10		†							1		
11		†									
12		1									
13							1				

Part	V Facility Information									
	on A. Hospital Facilities	Licens	Gener	Childr	Teach	Ontica	Resea	ER-24	ER-other	
(lıst ır	order of size from largest to smallest)	Licensed hospital	General medical &	Children's hospita	Teaching hospital	al acces	Research facility	ER-24 hours	her	
How many hospital facilities did the organization operate duri the tax year? 1		pital	cal & surgical	epital	pta	Ortical access hospital	lity			
Namo	and address									
Name	and address									Other (Describe)
1	METHODIST CHILDREN'S HOSPITAL 3610 21ST STREET LUBBOCK,TX 794101218	×	х	х			х	х		
		-				<u> </u>				
		+				 				
						<u> </u>				
		+				<u> </u>				
		<u> </u>				 				

Part V Facility Information (continued) Section B. Facility Policies and Practices.

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

METHODIST CHILDREN'S HOSPITAL

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

			Yes	No
Coı	mmunity Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1	During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply)			
	a A definition of the community served by the hospital facility			
	b Demographics of the community			
	Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
	d How data was obtained			
	e The health needs of the community			
	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 Cother (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	3		
4	account input from persons who represent the community, and identify the persons the hospital facility consulted 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			
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		
Fin	nancial Assistance Policy			
	Did the hospital facility have in place during the tax year a written financial assistance policy that			
8	Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care $\frac{175}{\%}$			
	If "No," explain in Part VI the criteria the hospital facility used			

Pä	art 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 % 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)	11	163	
	a V 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	
	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)		163	
	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			
	The policy was provided, in writing, to patients upon admission to the hospital facility The policy was provided, in writing, to patients upon admission to the hospital facility			
	f The policy was available upon request			
D:II	g Other (describe in Part VI)			
	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			
-0	making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		Νo
	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 F Body attachments			
	e C 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			

If "Yes," explain in Part VI

provided to that patient?

.

20

21

Νo

Νo

Part V Facility Information (continued) Policy Relating to Emergency Medical Care Yes 18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals **18** | Yes If "No," indicate why a ☐ The hospital facility did not provide care for any emergency medical conditions **b** The hospital facility's policy was not in writing The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI **d** Other (describe in Part VI) Individuals Eligible for Financial Assistance 19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAPeligible individuals for emergency or other medically necessary care The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged b The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged c The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged d Other (describe in Part VI)

20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

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

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

chedule H	(Form	990)	2011
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Page **7**

Part V	Facility	Information	(continued)
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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		
5		
7		
В		
9		

Part VI Supplemental Information

Complete this part to provide the following information

- Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part III, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 11, 3, 4, 5c, 61, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- Patient education of eligibility for assistance. Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- Promotion of community health. Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- Affiliated health care system. If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 6A		COVENANT HEALTH SYSTEM PREPARES AN ANNUAL COMMUNITY BENEFIT REPORT THAT INCLUDES COVENANT CHILDREN'S HOSPITAL

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

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 7		THE AMOUNTS REPORTED IN THE TABLE WERE DERIVED FROM VARIOUS SOURCES INCLUDING THE GENERAL LEDGER, THE COST ACCOUNTING SYSTEM, OR CALCULATED USING A COST-TO-CHARGE RATIO THE COST-TO-CHARGE RATIO WAS NOT DERIVED FROM WORKSHEET 2 THE COST ACCOUNTING SYSTEM ADDRESSED ALL PATIENT SYSTEMS

Identifier	ReturnReference	Explanation
SCHEDULE H, PART II		COMMUNITY BUILDING ACTIVITIES COVENANT CHILDRENS HOSPITAL IS COMMITTED TO SERVING ITS COMMUNITIES WITH AN EMPHASIS ON PROVIDING OPTIMAL HEALTHCARE SERVICES AND PROGRAMS BY DEDICATING ITS EFFORTS TO ASSIST ALL PERSONS REGARDLESS OF THEIR AGE, SEX, CREED, DISABILITY, NATIONAL ORIGIN OR FINANCIAL STATUS THE VISION OF CCH IS TO BRING PEOPLE TOGETHER TO PROVIDE COMPASSIONATE CARE, PROMOTE HEALTH IMPROVEMENT, AND CREATE HEALTHY COMMUNITIES DURING THE YEAR, THE EMPLOYEES OF COVENANT HAVE VOLUNTEERED COUNTLESS HOURS TO VARIOUS COMMUNITY-BASED ORGANIZATIONS, PROFESSIONAL ORGANIZATIONS, AND VOLUNTEERED WITH LOCAL NON-
		PROFIT ORGANIZATIONS TO IMPROVE HEALTH AND QUALITY OF LIFE IN OUR COMMUNITY

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 4		THE ORGANIZATION RECOGNIZED THAT A PORTION OF THE UNINSURED OR UNDERINSURED PATIENT POPULATION MAY NOT ENGAGE IN THE TRADITIONAL FINANCIAL ASSISTANCE APPLICATION PROCESS THEREFORE, THE ORGANIZATION ALSO USED AN AUTOMATED PREDICTIVE SCORING TOOL TO IDENTIFY AND QUALIFY PATIENTS FOR FINANCIAL ASSISTANCE FOR ACCOUNTS THAT WERE INITIALLY CLASSIFIED AS BAD DEBT COLLECTION ACTIONS WERE NOT PURSUED ON THESE ACCOUNTS ONCE THEY ARE RECLASSIFIED BECAUSE RECLASSIFIED ACCOUNTS WERE GRANTED 100 PERCENT FINANCIAL ASSISTANCE (FREE CARE) AFTER THE RECLASSIFICATION THERE WAS NO REMAINING AMOUNT OF BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER OUR FINANCIAL ASSISTANCE POLICY FINANCIAL STATEMENT FOOTNOTE DESCRIBING BAD DEBT THE ORGANIZATION RECEIVES PAYMENT FOR SERVICES RENDERED TO PATIENTS FROM FEDERAL AND STATE GOVERNMENTS UNDER THE MEDICARE AND MEDICAID PROGRAMS, PRIVATELY SPONSORED MANAGED CARE PROGRAMS FOR WHICH PAYMENT IS MADE BASED ON TERMS DEFINED UNDER FORMAL CONTRACTS, AND OTHER PAYORS THE ORGANIZATION BELIEVES THERE ARE NO SIGNIFICANT RISKS ASSOCIATED WITH RECEIVABLES FROM GOVERNMENT PROGRAMS RECEIVABLES FROM CONTRACTED AND OTHER SARE FROM VARIOUS PAYORS WHO ARE SUBJECT TO DIFFERING ECONOMIC CONDITIONS, AND DO NOT REPRESENT ANY CONCENTRATED RISKS TO THE ORGANIZATION THE ORGANIZATION ANALYZES ITS HISTORICAL EXPERIENCE AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS USING THIS METHODOLOGY, BAD DEBT EXPENSE IS CORRESPONDINGLY RECORDED IN THE
<u></u>		GENERAL LEDGER

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

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 8		THE ORGANIZATION DOES NOT REPORT MEDICARE REVENUES AND EXPENSES (EXCEPT FOR AMOUNTS REPORTED IN PART I, LINE 7) AS COMMUNITY BENEFIT MEDICARE COSTS ARE DETERMINED USING THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 9B		COVENANT CHILDREN'S HOSPITAL PATIENT ACCOUNTS WERE NOT FORWARDED TO COLLECTION STATUS WHEN THE PATIENT MADE A GOOD FAITH EFFORT TO RESOLVE OUTSTANDING ACCOUNT BALANCES SUCH EFFORTS INCLUDE APPLYING FOR FINANCIAL ASSISTANCE, NEGOTIATING A PAYMENT PLAN, OR APPLYING FOR MEDICAID COVERAGE PRIOR TO ADVANCING ANY ACCOUNT FOR EXTERNAL COLLECTION, THE ORGANIZATION PERFORMED AN EVALUATION TO IDENTIFY IF THE ACCOUNT QUALIFIED FOR FINANCIAL ASSISTANCE ACCOUNTS FOR PATIENTS WHO QUALIFIED FOR FREE CARE (100 PERCENT FINANCIAL ASSISTANCE) WERE WRITTEN OFF AND COLLECTION EFFORTS WERE NOT PURSUED

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

Identifier	ReturnReference	Explanation
SCHEDULE H, PART V, SECTION B, LINE 11H		THE ORGANIZATION RECOGNIZES THAT A PORTION OF THE UNINSURED OR UNDERINSURED PATIENT POPULATION MAY NOT ENGAGE IN THE TRADITIONAL FINANCIAL ASSISTANCE APPLICATION PROCESS THEREFORE, THE ORGANIZATION ALSO USES AN AUTOMATED PREDICTIVE SCORING TOOL TO IDENTIFY AND QUALIFY PATIENTS FOR FINANCIAL ASSISTANCE FOR ACCOUNTS THAT ARE INITIALLY CLASSIFIED AS BAD DEBT

Identifier	ReturnReference	Explanation
SCHEDULE H, PART V, SECTION B, LINE 13G		THE ORGANIZATION POSTS ITS SUMMARIZED FINANCIAL ASSISTANCE NOTICE IN ALL ADMITTING AREAS IN BOTH ENGLISH AND SPANISH AND PROVIDES THE FULL POLICY UPON REQUEST SUMMARIZED NOTICES OF THE POLICY ARE AVAILABLE ON ITS WEBSITE ALONG WITH CONTACT INFORMATION IN THE EVENT OF ADDITIONAL INQUIRIES NOTICES OF FINANCIAL ASSISTANCE ARE INCLUDED WITH BILLINGS FOR UNINSURED PATIENTS BILINGUAL PATIENT ACCOUNT REPRESENTATIVES ARE AVAILABLE TO ADDRESS QUESTIONS AND ASSIST IN THE COMPLETION OF A FINANCIAL ASSISTANCE APPLICATION IN ENGLISH OR SPANISH SCHEDULE H, PART V, SECTION B, LINE 19D FOR PATIENTS WITH A FAMILY INCOME BETWEEN 176% AND 300% OF FEDERAL POVERTY GUIDELINES (FPG), THE HOSPITAL FACILITY USES MEDICARE RATES WHEN CALCULATING THE MAXIMUM AMOUNTS THAT CAN BE CHARGED FOR
		CATASTROPHIC CASES WITH A PATIENT RESPONSIBILITY GREATER THAN \$75,000, MEDICARE RATES ARE USED TO DETERMINE THE MAXIMUM AMOUNT THAT CAN BE CHARGED

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2	A NEEDS ASSESSMENT IS COMPILED EVERY THREE YEARS WHICH DETAILS OVERARCHING HEALTHCARE CONCERNS FOR TEXAS IN GENERAL AS WELL AS MANY DETAILS AFFECTING THE LUBBOCK COMMUNITY BENEFIT SERVICE AREA IN PARTICULAR SOME OF THE OTHER SOURCES USED FOR COVENANT'S NEEDS ASSESSMENT INCLUDE ST JOSEPH HEALTH SYSTEM'S PRC DATA ASSESSMENT, THE UNITED WAY COMMUNITY STATUS REPORT, AND THE TEXAS DEPARTMENT OF STATE HEALTH SERVICES DATA THE PROCESS USED FOR THE PRIORITIZATION OF THE PROGRAMS WAS DETERMINED BY GENERAL CONSENSUS ALL ASSESSMENTS USED FOR THIS PLAN, PRIMARY AND SECONDARY DATA THAT WAS ANALYZED, INDIVIDUAL MEETINGS WITH GROUPS OF STAKEHOLDERS, AND MEMBERS OF THE COMMUNITY BENEFIT COMMITTEE ALL CONFIRMED THE PROGRAMS WHICH ARE PRIORITIZED FOR THIS PLAN

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

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, LINE 3	THE ORGANIZATION POSTED NOTICES INFORMING THE PUBLIC OF THE FINANCIAL ASSISTANCE PROGRAM NOTICES WERE POSTED IN HIGH VOLUME INPATIENT AND OUTPATIENT SERVICE AREAS NOTICES WERE ALSO POSTED AT LOCATIONS WHERE A PATIENT COULD PAY THEIR BILL NOTICES INCLUDED CONTACT INFORMATION ON HOW A PATIENT COULD OBTAIN MORE INFORMATION ON FINANCIAL ASSISTANCE AS WELL AS WHERE TO APPLY FOR ASSISTANCE THESE NOTICES WERE POSTED IN ENGLISH AND SPANISH AND ANY OTHER LANGUAGES THAT WERE REPRESENTATIVE OF 5% OR GREATER OF PATIENTS IN THE HOSPITAL'S SERVICE AREA ALL PATIENTS WHO DEMONSTRATED LACK OF FINANCIAL COVERAGE BY THIRD PARTY INSURERS WERE OFFERED AN OPPORTUNITY TO COMPLETE THE FINANCIAL ASSISTANCE APPLICATION AND WERE OFFERED INFORMATION, ASSISTANCE, AND REFERRAL AS APPROPRIATE TO GOVERNMENT SPONSORED PROGRAMS FOR WHICH THEY MAY HAVE BEEN ELIGIBLE

Schedule H (Form 990) 2011		Page 8
Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	COVENANT IS THE ONLY SJHS MINISTRY PROVIDING SERVICES TO COMMUNITIES IN TWO STATES COVENA
		NT PROVIDES SERVICES IN NEW MEXICO AND DRAWS
		PATIENTS FROM NEW MEXICO COMMUNITIES INTO LUB BOCK THE CIRCUMSTANCES OF THESE COMMUNITY
		MEMBERS PROFOUNDLY IMPACT THE ORGANIZATION
		AND THE SERVICES IT PROVIDES COVENANT HEALTH SYSTEM'S COMMUNITY BENEFIT PRIORITIES ADDRESS DU
		HN POPULATIONS WITHIN BOTH CORE SERVICE AREAS
		AND SECONDARY SERVICE AREAS FOR COMMUNITY RE SIDENTS WHO ARE FACED WITH MULTIPLE HEALTH
		PROBLEMS AND HAVE LIMITED ACCESS TO TIMELY, HIG
		H-QUALITY HEALTH CARE CORE SERVICE AREAS
		INCLUDE THE TEXAS COUNTIES OF LUBBOCK, BAILEY, L AMB, HALE, FLOYD, MOTLEY, COCHRAN, HOCKLEY,
		CROSBY, DICKENS, YOAKUM, TERRY, LYNN, GARZA, K ENT,
		GAINES, DAWSON, BORDEN, SCURRY, AND EDDY COUNTY IN NEW MEXICO ESPECIALLY WITHIN LUBB OCK, FOUR
		NEIGHBORHOODS, ARNETT-BENSON, HARWELL, ´
		PARKWAY-CHERRY POINT AND DUNBAR-MANHATTAN HEIGHTS, ARE DESIGNATED AS MEDICALLY
		UNDERSÉRVED AREAS (MUA'S) SECONDARY SERVICE
		AREAS I NCLUDE PARMER, CASTRO, AND KING COUNTIES IN TEXAS LUBBOCK, THE LARGEST CITY WITHIN THE CO
		RE AND SECONDARY SERVICE AREAS, IS LOCATED ON
		THE SOUTH PLAINS OF TEXAS AND HAS A POPULATION
		OF 204,737 AND A COUNTY (LUBBOCK COUNTY) POPULATION OF 250,446, ACCORDING TO THE 2003 E
		STIMATES OF THE U.S. CENSUS LUBBOCK SERVES AS A
		MAJOR MEDICAL CENTER FOR THE ENTIRE SOUTH PLAINS OF TEXAS AND EASTERN NEW MEXICO REGION, CARING
		FOR PEOPLE WITHIN A 57-COUNTY, 80,0 00 SQUARE MILE
		RADIUS OF THE CITY THE POPULATION OF COVENANT HEALTH SYSTEM'S CORE SERVICE AREA IS EXPECTED TO
		INCREASE WHILE ONLY MODEST INCREASES ARE
		EXPECTED, THEY ARE WELCOMED , AS PREVIOUS ASSESSMENTS INDICATED A SLIGHT LOSS OF
		POPULATION FOR MOST OF OUR PRIMARY SE RVICE
		AREAS IT IS IMPORTANT TO FIRST MENTION SOME OF THE HEALTH CHARACTERISTICS OF TEXAS WHICH ALSO
		AFFECT THE LUBBOCK AREA TEXAS HAS THE FIFTH
		HIGHEST POVERTY RATE AMONG THE STA TES, ONE IN SIX TEXANS IS CONSIDERED POOR TEXAS HAS THE
		EIGHTH HIGHEST RATE OF SENIOR CIT IZENS LIVING IN
		POVERTY ONE HALF OF CHILDREN IN TEXAS LIVE IN POVERTY OR ARE ECONOMICALLY DISADVANTAGED
		TEXAS CONTINUES TO BE A LOW-WAGE, LOW-BENEFIT
		STATE WITH THAT SAID, TEXAS HAS A CRISIS IN
		COVERAGE THE ECONOMIC, EDUCATIONAL, CULTURAL, AND SOCIAL STRENGTH OF TEX AS DEPENDS UPON THE
		HEALTH OF ITS CITIZENS, ALARMINGLY, ABOUT 24% OF ITS POPULATION IS WIT HOUT INSURANCE - THE
		HIGHEST IN THE NATION THE INCREASING NUMBER OF
		UNINSURED PATIENTS PLACES AN EXTRAORDINARY
		PROVIDERS, HOSPITALS, AN D THE COMMUNITIES THAT
		FUND THE HEALTHCARE SERVICES THE OVERALL HEALTH
		STATUS OF TEXANS I S POOR IN COMPARISON WITH OTHER STATES AND LIKELY TO DECLINE FURTHER
		WITHOUT INTERVENTION THE INCREASING NUMBER OF
		INDIVIDUALS WITHOUT INSURANCE OR ADEQUATE COVERAGE IS A SIGNIFIC ANT AND CONTINUING
		CONCERN FOR THE COUNTRY AND A MAJOR POLICY
		CHALLENGE FOR TEXAS A MILLI ON UNINSURED TEXANS DO NOT RECEIVE ADEQUATE CARE FOR CHRONIC
		DISEASES AND 2,500 DIE PREMAT URELY EACH YEAR
		STUDIES INDICATE THE UNINSURED ARE LESS LIKELY TO SEEK PREVENTATIVE AND S CREENING SERVICES THAT
		MINIMIZE MORE COSTLY SERVICES LATER 5 6 MILLION
		TEXANS ARE CONTINU OUSLY WITHOUT MEDICAL INSURANCE THROUGHOUT THE YEAR, 8 5 MILLION GO
		WITHOUT INSURANCE AT SOME POINT IN THE YEAR
		MEDICAL EXPENSES ARE THE SINGLE LARGEST REASON FOR PERSONAL BANKRUP TCIES AMONG TEXANS
		LUBBOCK, TX, ESPECIALLY WITHIN SERVICE AREAS, ALSO
		FACES ECONOMIC AND HEALTHCARE CHALLENGES BECAUSE OF ITS DIVERSE ECONOMY, WHICH IS
		GROUNDED IN AGRICULTURE, M ANUFACTURING, AND
		TRADE, THERE IS A SIGNIFICANT MIGRATION OF BOTH PERMANENT AND TEMPORARY DWELLERS INTO THE AREA
		IT IS A YOUTHFUL POPULATION WITH A MEDIAN AGE OF
		31 COMPARED TO THE STATE MEDIAN OF 33 2, WHICH IS PARTIALLY DRIVEN BY THE UNIVERSITIES' PRESENCE IN
		THE REGION HOWEVER, THE REMAINING COMMUNITIES
		COVENANT CARES FOR WITHIN THE CORE AND
		SECONDARY S ERVICE AREAS HAVE A DISPROPORTIONATE NUMBER OF PEOPLE WHO ARE BOTH
		BELOW THE FEDERAL POVER TY LEVEL AND WHO ARE
		ABOVE THE AGE OF 65 AND ARE IN NEED OF GREATER ACCESS TO HEALTHCARE MANY OF THESE
		COMMUNITIES ARE MEDICALLY UNDERSERVED AREAS
		(MUA'S) OR PERSISTENT POVERTY AR EAS (PPA'S) OR BOTH SPECIFICALLY FOCUSING ON THE STATISTICS FOR
		THE ECONOMIC CHARACTERIST ICS OF THE LUBBOCK
		AREA, THE MOST RECENT INDICATORS, FROM THE UNITED WAY'S 2008 COMMUNITY STATUS REPORT, SHOW
		THAT THE PERCENTAGE OF CHILDREN LIVING IN
		POVERTY IN LUBBOCK COUNTY IS 22 4% WHICH IS A 7% DECREASE FROM THE PREVIOUS YEAR AND 21% ABOVE
		THE US AVERAGE THE PER CENTAGE OF ADULTS LIVING
		IN POVERTY IS 18% WHICH IS A 1 7% INCREASE FROM THE PREVIOUS YEAR AND 55% ABOVE THE US AVERAGE
		THE PERCENTAGE OF INDIVIDUALS WITHOUT HEALTH
		INSURANCE IS 2 4 8% COMPARED TO 23 9% FOR TEXAS IN GENERAL AND 15 1% FOR THE U.S. AVERAGE IT IS
		CLEAR TH AT COVENANT'S SERVICE TO DUHN
		POPULATIONS IN ADDRESSING HEALTHCARE
		CHALLENGES IS PRIMARILY FOCUSED ON ACCESS TO TIMELY, HIGH QUALITY HEALTHCARE BOTH THE CORE
		AND SECONDARY SERVICE AREAS FACE MULTIPLE
<u></u>	<u> </u>	HEALTH PROBLEMS WHICH RANGE F
		Schedule H (Form 990) 2011

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	ROM CANCER TO UNHEALTHY LIVING HABITS THE CANCER RATE FOR COVENANT (INCLUDING VARIOUS TYP ES OF CANCER) IS ABOUT 921/100,000 THE DIABETES PREVALENCE FOR COVENANT'S SERVICE REGIONS IS 11 47% COMPARED TO THE NATIONAL AVERAGE OF 7 5% WITH REGARD TO HYPERTENSION, COVENANT SERVICE REGIONS REPORT 34 99% COMPARED TO THE NATIONAL AVERAGE OF 25 5% IN ADDRESSING TH E RATES OF UNHEALTHY LIVING, 15 6% OF LUBBOCK COUNTY RESIDENTS ARE SMOKERS AND 12 9% HAVE PARTICIPATED IN BINGE DRINKING IN THE PAST MONTH 71 8% OF LUBBOCK COUNTY'S ADULTS ARE OVE RWEIGHT OR OBESE, AND 20 5% OF THE OVERWEIGHT OR OBESE ARE CHILDREN THE HISPANIC POPULATI ON IS CLOSE TO 30%, NEARLY TWICE THE NATIONAL AVERAGE ACCORDING TO THE UNITED WAY'S COMMUNITY PLANNING MODEL 2008 LUBBOCK COMMUNITY STATUS REPORT, BY 2040, IT IS PROJECTED THAT H ISPANICS WILL BE AT LEAST ONE HALF OF ALL AGE GROUPS YOUNGER THAN 65, AND ABOUT TWO THIRDS OF ALL AGE GROUPS YOUNGER THAN 40 ALTHOUGH ANGLOS COMPRISED 63% OF LUBBOCK COUNTY'S POPU LATION IN 2000 (WHICH ALSO REPRESENTS THE SURROUNDING COUNTIES' DEMOGRAPHICS), IT IS ESTIM ATED THAT THEY WILL BE 50% OF THE POPULATION IN 2020 AND ONLY 42 8% OF THE POPULATION IN 2 030

Identifier	ReturnReference	Explanation
Identifier PROMOTION OF COMMUNITY HEALTH	ReturnReference SCHEDULE H, PART VI, LINE 5	Explanation THE GOVERNING BODY IS COMPRISED OF A MAJORITY OF PERSONS WHO RESIDE IN THE HOSPITALS PRIMARY SERVICE AREA AND WHO ARE NOT EMPLOYEES, CONTRACTORS, OR FAMILY MEMBERS THE SUB-COMMITTEE OF THE BOARD OF TRUSTEES, KNOWN AS THE COMMITTEE OF THE BOARD OF TRUSTEES, KNOWN AS THE COMMUNITY BENEFIT COMMITTEE, OVERSEES THE DEVELOPMENT AND IMPLEMENTATION OF THE COMMUNITY BENEFIT REPORT THE COMMUNITY BENEFIT PLAN EVERY THREE YEARS, AS WELL AS AN ANNUAL COMMUNITY BENEFIT REPORT THE COMMITTEE ALSO PROVIDES GENERAL DIRECTION TO COVENANT HEALTH SYSTEM REGARDING 1) BUDGETING DECISIONS, 2) COMMUNITY BENEFIT PROGRAM CONTENT, 3) COMMUNITY BENEFIT PROGRAM CONTINUATION OR DISCONTINUATION, 6) FUND DEVELOPMENT SUPPORT, AND 7) COMMUNITY-WIDE ENGAGEMENT MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY GIVING BACK TO THE COMMUNITY IS INTEGRATED INTO EVERY ASPECT OF OUR ORGANIZATION AS A MEMBER OF THE FAITH-BASED HEALTH MINISTRY OF ST JOSEPH HEALTH SYSTEM, WE PROVIDE FREE AND DISCOUNTED CARE VIA OUR FINANCIAL ASSISTANCE PROGRAM AND HAVE A FUNDING STREAM TO ADDRESS THE NEEDS OF THE ECOMMUNITIES WE SERVE WE BELIEVE THAT NO ONE SHOULD DELAY SEEKING NEEDED TO THE HEALTH SISTERS OF ST JOSEPH OF ORANGE BY CONTINUALLY IMPROVING THE HEALTH AND QUALITY OF LIFE OF PEOPLE IN THE COMMUNITIES WE SERVE WE BELIEVE THAT NO ONE SHOULD DELAY SEEKING NEEDED THAT IS WHY COVENANT CHILDRENS HOSPITAL, AS A MINISTRY OF ST JOSEPH HEALTH HY SYSTEM, HAS A PATIENT FINANCIAL ASSISTANCE PROGRAM THAT PROVIDES FREE ON DISCOUNTED SERVICES TO ELIGIBLE PATIENTS ON AN ANNUAL BASISTANCE PROGRAM THAT PROVIDES FREE ON DISCOUNTED SERVICES TO ELIGIBLE PATIENT FINANCIAL ASSISTANCE PROGRAM THAT PROVIDES FREE OR DISCOUNTED SERVICES TO ELIGIBLE PATIENTS ON AN ANNUAL BASISTANCE PROGRAM THAT PROVIDES FREE OR DISCOUNTED SERVICES TO ELIGIBLE PATIENTS ON AN ANNUAL BASISTANCE PROGRAM SHOR THAT PROVIDES FREE OR DISCOUNTED SERVICES TO ELIGIBLE PATIENTS ON AN ANNUAL BASISTANCE PROGRAM SHOR THAT PROVIDES FREE OR DISCOUNTED SERVICES TO ELIGIBLE PATIE
		THE FOLLOWING PROGRAMS THAT PROMOTE HEALTH AND ACCESS TO CARE TO THE LOW-INCOME POSSIBLE HEALTH & NUTRITION EDUCATION, CHILRENS DENTAL,
<u> </u>	I	AND BODY MIND INITIATIVE

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		COVENANT CHILDREN'S HOSPITAL IS A HEALING MINISTRY OF ST JOSEPH HEALTH SYSTEM, AN INTEGRATED HEALTH CARE DELIVERY SYSTEM SPONSORED BY THE ST JOSEPH HEALTH MINISTRY ST JOSEPH HEALTH SYSTEM IS ORGANIZED INTO THREE REGIONS NORTHERN CALIFORNIA, SOUTHERN CALIFORNIA, AND WEST TEXAS/EASTERN NEW MEXICO THE SYSTEM INCLUDES 14 ACUTE CARE HOSPITALS, HOME HEALTH AGENCIES, HOSPICE CARE, OUTPATIENT SERVICES, COMMUNITY CLINICS, AND PHYSICIAN ORGANIZATIONS EACH ASSOCIATED MINISTRY WORKS TO LIVE OUT ITS MISSION TO EXTEND THE HEALING MINISTRY OF JESUS IN THE TRADITION OF THE SISTERS OF ST JOSEPH OF ORANGE BY CONTINUALLY IMPROVING THE HEALTH AND QUALITY OF LIFE OF THE COMMUNITIES IT SERVES IN 1986, ST JOSEPH HEALTH SYSTEM CREATED A PLAN AND BEGAN AN EFFORT TO FURTHER ITS COMMITMENT TO NEIGHBORS IN NEED WITH A VISION OF REACHING BEYOND THE WALLS OF ITS HEALTHCARE FACILITIES AND TRANSCENDING TRADITIONAL EFFORTS OF PROVIDING FINANCIAL ASSISTANCE FOR THOSE IN NEED OF ACUTE SERVICES, ST JOSEPH HEALTH SYSTEM CREATED THE ST JOSEPH HEALTH OF LOW-INCOME INDIVIDUALS RESIDING IN LOCAL COMMUNITIES OUR FOUNDATION TO IMPROVE THE HEALTH OF LOW-INCOME INDIVIDUALS RESIDING IN LOCAL COMMUNITIES OUR FOUNDATIONAL DOCUMENT, A VISION OF VALUES, FORMALIZES A POLICY THROUGH WHICH THE HOSPITAL MINISTRIES RETURN TEN PERCENT OF THEIR NET INCOME TO THE ST JOSEPH HEALTH SYSTEM FOUNDATION TO SUPPORT OUTREACH EFFORTS FOR THE MATERIALLY POOR THE FOUNDATION THEN FUNDS PROGRAMS IN COMMUNITIES SERVED BY ST JOSEPH HEALTH HOSPITALS THAT EXEMPLIFY THE FOUR CORE VALUES OF ST JOSEPH HEALTH SYSTEM SERVICE, EXCELLENCE, DIGNITY, AND JUSTICE

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

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART VI, LINE /	TEXAS MINISTRIES REPORT TO STATE OF TEXAS DEPARTMENT OF STATE HEALTH SERVICES IN ACCORDANCE WITH THE TEXAS HEALTH AND SAFETY CODE - SECTION 311 045

DLN: 93493133053173

OMB No 1545-0047

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest **Compensated Employees** ► Complete if the organization answered "Yes" to Form 990,

Part IV, question 23. ► Attach to Form 990. ► See separate instructions. Open to Public Inspection

Name of the organization METHODIST CHILDREN'S HOSPITAL

Schedule J (Form 990)

Department of the Treasury

Internal Revenue Service

Employer identification number

75-2428911

Pa	art I Questions Regarding Compensation			
			Yes	Νo
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding the			
	First-class or charter travel Housing allowance or residence for person	onal use		
	▼ Travel for companions	esidence		
	Tax idemnification and gross-up payments Health or social club dues or initiation fe	es		
	✓ 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 payme reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain		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 ⁻⁷	2		No
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	Compensation committee Written employment contract			
	Independent compensation consultant Compensation survey or study			
	Form 990 of other organizations Approval by the board or compensation of	:ommittee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line $1a$ with respect to the fill or a related organization	ng organization		
а	Receive a severance payment or change-of-control payment?	4a	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	c Participate in, or receive payment from, an equity-based compensation arrangement?			
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Par	tIII		
	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			
а	The organization?	5a		Νo
b	Any related organization?	5b		Νo
	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			
а	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-fixe payments not described in lines 5 and 6? If "Yes," describe in Part III	ed 7	Yes	
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," descr in Part III			
		8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Feetion 53 4958-6(c)?	Regulations 9		

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

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

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

(A) Name	ı	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and	(D) Nontaxable	(E) Total of columns	(F) Compensation
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation	other deferred compensation	benefits	(B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ
(1) RICHARD PARKS	(ı) (ıı)	0 617,795	0 280,650	0 138,326	- 1	0 17,123	0 1,061,244	
(2) JOHN GRIGSON	(ı) (ıı)	0 360,754	0 306,386	0 102,466	0 9,800	0 20,491	0 . 799,897	
(3)TROY THIBODEAUX	(ı) (ıı)	0 280,461	0 42,147	0 101,962	0 0	0 4,245	0 428,815	
(4) ROXIE TAYLOR	(ı) (ıı)	0 258,486	0 95,668	0 78,814	0 19,600	0 6,499	0 459,067	
(5) AUBREY BRIDGES	(ı) (ıı)	124,587 0	1,000 0	4,947 0	14,363 0	6,974 0	151,871	
(6) KAREN BRODBECK	(ı) (ıı)	124,536 0	0 0	53 0	5,504 0	27,187 0	157,280	
(7) DONNA NEEL	(ı) (ıı)	126,186 0	6,380 0	383 0	15,544 0	22,534 0	171,027	
(8) JO ANN ESCASA- HAIGH	(ı) (ıı)	0 344,020	0 173,044	0 83,509	0 9,776	0 33,952	0 644,301	
(9) MELINDA CLARK	(ı) (ıı)	0	0	0 282,512	0	0	0 282,512	
		+			+		 	

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
SUPPLEMENTAL COMPENSATION INFORMATION	PART I, LINE 1A	ST JOSEPH HEALTH SYSTEM ALLOWS FOR COMPANION TRAVEL FOR CERTAIN PRE-APPROVED, MINISTRY SPONSORED EVENTS COMPANION TRAVEL IS TREATED AS TAXABLE COMPENSATION IN MOST CASES IN THE CASE THAT COMPANION TRAVEL IS NOT TREATED AS TAXABLE COMPENSATION, THE INDIVIDUAL IS PROVIDING A SERVICE TO THE HEALTH SYSTEM AS A REPRESENTATIVE WITH KNOWLEDGE OF THE COMMUNITIES AND MINISTRIES WE SERVE COMPANION TRAVEL IS AN ESSENTIAL PART OF THE TRUSTEE CONFERENCE THE FOLLOWING TRUSTEES RECEIVED A BENEFIT FOR COMPANION TRAVEL THAT WAS INTENDED TO BE COMPENSATION RICHARD PARKS - \$3,909 JOHN GRIGSON - \$3,323 EXECUTIVES RECEIVE A PERCENTAGE OF BASE COMPENSATION FOR DISCRETIONARY SPENDING THESE AMOUNTS ARE INCLUDED IN OTHER REPORTABLE COMPENSATION
SCHEDULE J, PART I, LINE 3		THE ORGANIZATION'S CHIEF EXECUTIVE OFFICER IS PAID BY ITS TAX EXEMPT PARENT, COVENANT HEALTH SYSTEM, AND IS DISCLOSED AS A PERSON PAID BY A RELATED ORGANIZATION SEE SCHEDULE O FOR FORM 990, PART VI, LINE 15A AND 15B FOR THE PROCESS THAT IS COMPLETED BY ST JOSEPH HEALTH SYSTEM
SCHEDULE J, PART I, LINE 4A		MELINDA CLARK RECEIVED \$282,512 OF SEVERANCE PAID THROUGH ST JOSEPH HEALTH SYSTEM
SCHEDULE J, PART I, LINE 4B		EXECUTIVES COULD PARTICIPATE IN A NON-QUALIFIED DEFERRED COMPENSATION PLAN UNDER INTERNAL REVENUE CODE 457(F) THE PLAN WAS FROZEN EFFECTIVE DECEMBER 31, 2007 AFTER WHICH TIME NO FURTHER CONTRIBUTIONS WERE PERMITTED TO THE PLAN THIS PLAN WILL CEASE TO EXIST ONCE ALL BENEFITS HAVE BEEN DISTRIBUTED IN ACCORDANCE WITH PROVISIONS OF THE PLAN NO INDIVIDUALS INCLUDED ON PART VII RECEIVED A DISTRIBUTION FROM THE PLAN DURING THE CURRENT YEAR
SCHEDULE J, PART I, LINE 7		A PORTION OF EXECUTIVES SALARIES ARE PLACED "AT-RISK" AND ARE NOT AWARDED UNLESS SPECIFIC STRATEGIC OBJECTIVE TARGETS ARE MET OR EXCEEDED THE AT-RISK EXECUTIVE PLAN IS DESIGNED TO MOTIVATE AND REWARD EXECUTIVES FOR TEAM PERFORMANCE THAT SUPPORTS THE STRATEGIC GOALS AND SUCCESSFUL PERFORMANCE OF ST JOSEPH HEALTH SYSTEM AT-RISK PAY IS AWARDED TO ASSISTANT VICE PRESIDENTS, VICE PRESIDENTS, SENIOR VICE PRESIDENTS, EXECUTIVE VICE PRESIDENTS, AND THE CHIEF EXECUTIVE OFFICER BASED ON ACHIEVING OR SURPASSING SPECIFIC GOALS THAT ARE PREDETERMINED BY THE BOARD OF TRUSTEES PRIOR TO THE BEGINNING OF THE FISCAL YEAR THE GOALS INCLUDE OUR STRATEGIC OBJECTIVES OF PERFECT CARE, SACRED ENCOUNTERS, AND HEALTHIEST COMMUNITIES AS WELL AS FISCAL STEWARDSHIP EACH OF THESE FACTORS IS TAKEN INTO CONSIDERATION WHEN DETERMINING THE PERCENTAGE OF AT-RISK PAY

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DLN: 93493133053173

Employer identification number

Schedule L (Form 990 or 990-EZ) **Transactions with Interested Persons**

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

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

OMB No 1545-0047

Open to Public **Inspection**

Department of the Treasury Internal Revenue Service

Name of the organization

METHODIST CHILDREN'S HOSPITAL Part I **Excess Benefit Transactions** (section 501(c)(3) and section 501 (c)(4) organizations only). Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b (c) (a) Name of disqualified person 1 (b) Description of transaction Corrected? Yes No 2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under 3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization Part II Loans to and/or From Interested Persons. Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a (f) (b) Loan to (g)Written (e) In Approved or from the (a) Name of interested person and (c)Original default? by board or (d)Balance due agreement? organization? principal amount purpose committee? Τо From Yes No Yes No Yes No Part III Grants or Assistance Benefitting Interested Persons. Complete if the organization answered "Yes" on Form 990, Part IV, line 27. (b) Relationship between interested person (a) Name of interested person (c) A mount of grant or type of assistance and the organization

Part IV	Business	Transactions	Involvina	Interested	Persons

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

(a) Name of interested person	(b) Relationship between interested person and the	(c) A mount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
	organization			Yes	No
(1) KAREN BRODBECK	WIFE OF DIR TODD BRODBECK	129,498	COMPENSATION FOR SERVICES		No

Part V Supplemental Information

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

Identifier Return Reference Explanation

Schedule L (Form 990 or 990-EZ) 2011

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DLN: 93493133053173

OMB No 1545-0047

Inspection

SCHEDULE M (Form 990)

Department of the Treasury

▶Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30. ► Attach to Form 990.

NonCash Contributions

Internal Revenue Service Name of the organization METHODIST CHILDREN'S HOSPITAL

Employer identification number

75-2428911

Pa	rt I	Types of Property							
			(a) Check If applicable	(b) Number of Contributions or items contributed	(c) Contribution amounts reported on Form 990, Part VIII, line 1 g	(d Method of de contribution	etermı	_	
1	Art—V	Works of art			<u> </u>				
2	Art—H	Historical treasures .							
3	Art—F	ractional interests							
4	Books	and publications							
5		ing and household							
6	Cars	and other vehicles							
7	Boats	and planes							
8	Intelle	ectual property							
9	Secur	rities—Publicly traded .							
		ities—Closely held stock .							
11		rities—Partnership, LLC, ist interests							
		ities—Miscellaneous							
13	contr	fied conservation ibution—Historic tures							
14	-	fied conservation abution—Other							
15	Reale	estate—Residential .							
16	Reale	estate—Commercial							
		estate—Other							
		ctibles							
		inventory							
		and medical supplies .							
		ermy							
		rical artifacts							
		tific specimens							
		ological artifacts MEDICAL							
		► (<u>EQUIPMENT</u>)	X	0	189,036	COST/SELLING PR	ICE		
		· • ()							
	Other	·							
	Other	r► () ber of Forms 8283 received	hu tha ara	anization during the tay was	or for contributions				
29		hich the organization compl				29	<u> </u>	w 1	0
30-	Durin	ng the year, did the organiza	ition receiv	e hy contribution any propo	rty reported in Part I lines	1-28 that it		Yes	No
Jua									
		hold for at least three year kempt purposes for the entil			on, and which is not required	a to be used			No
L							30a		No
31		es," describe the arrangeme the organization have a gif			review of any non-standard	contributions?	31	Yes	
		the organization hire or use							
JZa		rbutions?	· · ·	· · · · · · ·			32a		No
b	If"Y	es," describe in Part II							
33		e organization did not report ribe in Part II	revenues i	n column (c) for a type of p	roperty for which column (a) is checked,			

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF METHOD USED FOR NUMBER OF CONTRIBUTIONS	, ,	COVENANT CHILDREN'S HOSPITAL IS REPORTING A COMBINATION OF BOTH NUMBER OF CONTRIBUTIONS AND ITEMS CONTRIBUTED

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As Filed Data -

DLN: 93493133053173

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.

2011
Open to Public Inspection

Name of the organization	
METHODIST CHILDREN'S HOSPITA	L

Employer identification number

75-2428911

ldentifier	Return Reference	Explanation
ORGANIZATION'S MISSION STATEMENT	1	COVENANT CHILDREN'S HOSPITAL IS COMMITTED TO EXTENDING THE HEALING MINISTRY OF JESUS IN THE TRADITION OF THE SISTERS OF ST JOSEPH OF ORANGE BY CONTINUALLY IMPROVING THE HEALTH AND QUALITY OF LIFE OF PEOPLE IN THE COMMUNITITES WE SERVE

ldentifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS		IREALENG OUR MISSION COVENANT OF ILDRENS HOSPITAL HAS BEEN MEETING THE HEALTH AND QUALITY OF LIFE NEEDS OF THE LOCAL COMMUNITY FOR OVER 13 YEARS SERVING THE COMMUNITY SOFT OF THE NEEDS OF THE LOCAL COMMUNITY FOR OVER 13 YEARS SERVING THE COMMUNITY SOFT ON MOTILEY, COORANI, HOCKLEY, CROSBY, DICKESS, YOAKIM TERRY, LY INI GARZA, KENT, AGNES, DAWSON, BORGEN SCHEY, AND EDDY COUNTY IN INEW MEXICO, COVENANT CHILDRENS HOSPITAL IS AN ACUTE CARE HOSPITAL THAT PROVIDES QUALITY CARE IN THE AREAS OF STATE OF THE ART CARDIAC CARE, MOBILE MAMMOGRAPH, MOBILE DEVIAND, STATE OF THE ART OLD THE ART OLD THE TENT CARDIAC CARE, MOBILE MAMMOGRAPH, MOBILE DEVIAND, STATE OF THE ART OLD THE ART OLD THE WEST TEXAS AND HEALTH EDUCATION ETC. WITH OVER 5,000 EMPLOYERS COMMITTED TO REAL ZING THE MISSION, OVERHANT CHILDRENS HOSPITAL IS ONE OF THE LARGEST EMPLOYERS IN THE WEST TEXAS AND EASTERN NEW MEXICO REGION. AS A MEMBER OF THE ST. JOSEPH HEALTH SYSTEM COVENANT CHILDRENS HOSSTALL IS COMMITTED THE HEALING MINISTRY OF JESUS IN THE TRADITION OF THE SISTERS OF ST. JOSEPH OF CRANSE THIS MISSION HAS GUIDED OUR CATHOLIC HEALTH-CARE MINISTRY SINCE THE OPENING OF OUR FIRST HOSPITAL IN BLEEPS. LESUS IN THE TRADITION OF THE SISTERS OF ST. JOSEPH OF CRANSE TRACE THERR ROOTS BACK TO 17TH CENTURY PRANCE AND THE UNIO LE VISION OF A LESUIT PREST THAMED JEAN PHERE MEDILE HE SOLICENTING TORGANIZE AN TORCH OF THE SISTERS OF ST. JOSEPH OF CRANSE TRACE THE ROOTS BACK TO 17TH CENTURY PRANCE AND THE UNIO LE VISION OF A LESUIT PREST THAMED JEAN PHERE MEDILE HE SOLICENTING THE PREVIOUR CANNON, VENTURED OUT INTO THE COMMUNITY TO SEEK OUT THE DEAR RIGHTS ONE'S AND MINISTER TO THEIR MEDILE HEALT OF THE PREVIOUR PROVIDED AND ADDITIONAL PR

ldentifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	HERPORMANCE AND PATIENT SAFETY 3) THE COMMUNITY HEALTH INITIATIVES THAT IMPACT LONG-TERM HEALT H ACROSS THE ENTIRE COMMUNITY COVENANT WILL PROVIDE FINANCIAL SUPPORT TO TEXAS TECH UNIVERSITY CENTER FOR FREVENTION AND RESILENCY TO FUND CBM WHICH IS A LONGITUDINAL STUDY MEAS URING THE EFFECTIVENESS OF A FREVENTION AND MITERVENTION PROGRAM THAT IMPACTS CHILDHOOD OB ESITY THOSE PERFORMING THE STUDY WILL ROVIDE THE CB COMMITTEE WITH QUARTERLY UPDATES ON STRATEGY AND MEASURES FY 12 ACCOMPLISHMENTS PROGRAM EXPANSION - INCREASED SCHOOLS RECEVE ING CBM INCREASE IN SCHOOL PARTICIPATION - FIVE SCHOOLS ARE UTILIZING THE FEALL OF 2012- OVER A 150% INCREASE IN SCHOOL PARTICIPATION - FIVE SCHOOLS ARE UTILIZING THE SEMESTER COURSE FOR HIGH SCHOOL REDD TO COUNTIES IN WEST TEXAS RECEIVING CBM ICURRICULUM LUBBOOK, TERRY, KINS, LAMB, AND PARMER ADDITIONAL COUNTIES IN TEXAS TARRANT, DALLAS, AND HARRIS - CURRICULUM EXPANDED FROM TEN WEBS TO SIXTEEN WEBS TO EXTEND THE LENGTH OF DRECT STUDENT INTE RYBITION RESEARCH OUTCOMES - AMONG THE STUDENTS WHO BEGAN THE PROGRAM THREE YEARS AGO, THERE IS A 15% IMPROVEMENT IN BODY MASS INDEX - THE BECK DEPRESSION INVENTORY SHOWS THAT OUR STUDENTS ARE STAYING IN A HEALTHY BMOTIONAL RANGE - THE INSTRUMENTS SHOW AN INCREASE IN E MOTIONAL REACTIVITY, MEANING THAT STUDENTS ARE ABLE TO EXPRESS EMOTIONAL RESPONSES TO SITU ATTONS COMMUNITY ACTIVITIES FAMILY INVOLVEMENT - FIFTHER IN KINDS TRAINTION - JUNIOR LEAGULE HEALTHY KINDS CAMP - BROWNING AND FALLED FROM THE PROGRAM THREE YEARS COUNTERS NOW AN INCREASE IN E MOTIONAL REACTIVITY, MEANING THAT STUDENTS ARE ABLE TO EXPRESS EMOTIONAL RESPONSES TO SITU ATTONS COMMUNITY ACTIVITIES FAMILY INVOLVEMENT - FIFTHER IN KINDS TRAITHOUR STRAITHOUR STRAITHOUR STRAITHOUR STRAITHOUR STRAITHOUR STRAITHOUR STRAITHOUR STRAITHOUR STRAITHOUR SCHOOL WELLINESS CLASSES - LYONS CHAPPEL FALTH HAD WELLINESS CHOOL WELLINESS CHAP - LUBBOCK HIGH SCHOOL WELLINESS CHOOL WELLINESS OF THE TRAINING CAMP - BUCKNERS OF THE AUTHOR OF THE STRAIN OF THE PROGRAM THAN SOUTH PLANNS COLLEGE, THEN F

Identifier	Return	Explanation
110) 4 () 4 () 1	Reference	
HOW WILL WE MEASURE SUCCESS?		BY BECOMING THE FIRST FLACE THAT THE COMMUNITY OF LUBBOCK AND SURROUNDING AREA TURNS TO FOR PETENS. THER FAMILES, AND THE COMMUNITY FY 12 ACCOMPLISHMENTS. THIS REGISTAND REPORTED \$1,200,174 IN DONATED SPACE. A SLIGHT DECREASE FROM FY 2011 COVENANTS COMMUNITY HEALTH OF UTPREACH ORAL HEALTH PROVIDED DENTAL SERVICES TO 1,607 ADULT/ED PATIENTS AND 560 CHILDREN PATIENT ENCOUNTERS TOTALED 2,705 THE COMMUNITY BENEFIT BOARD AFROVED \$1 SMILLION TO REMODEL THE CHILDREN'S DENTISTRY BUILDING TO ACCOMMODATE THE TRANSTIGN TO A FAMILY DENTISTRY PROGRAM INTRATIVE (PAMILY DENTISTRY PROGRAM) KEY COMMUNITY PARTIENTS (PROGRAM INTRATIVE CHAMLY DENTISTRY PROGRAM PROT, LARRY COMBEST CENTER BOYS AND GIRLS CLUB. THUSE, LUBBOCK MPACT, LUBBOCK CHILDREN'S DENTISTRY BUILDING TARGET POPULATION LOW INCOME DENTIAL PATIENTS AGES 6 AND OVER OUTCOME GOAL IMPROVE THE CRALL HEALTH OF THE VUILNERABLE POPULATIONS WITHIN THE COMMUNITY PARTIES WE SERVE SCOPE CHO DENTAL PATIENTS AGES 6 AND OVER OUTCOME GOAL IMPROVE THE ASSESSMENT TOOL BETWEEN BEGINNING TREATMENT PLAN AND BY MONTH EVALUATION FY12 TARGET 10 7 AVERAGE CHANGE SCORE ON DIMFT ASSESSMENT FY12 RESULT 7 FY12 ACCOMPLISHMENTS IN TY12 WE COLLECTED BASELINE DATA AND SET OUT TARGETS WE SET THE FY12 AT 10 7 HOWEVER WE SURFASSED THAT TARGET AT THE END OF THE YEAR BY BOINING AT STRATEGY THE PROVIDE TIME IN THE CHAMBENT SIN TY12 WE COLLECTED BASELINE DATA AND SET OUT TARGETS WE SET THE FY12 AT 10 7 HOWEVER WE SURFASSED THAT TARGET AT THE END OF THE YEAR BY BOINING AT STRATEGY THE POVIDE TIME IN THE CHAMBENT SIN TY12 WE WERE SIGNAD AND AVERAGE CHAMBENTS IN TY12 WE WERE SIGNAD ASSENCE TO THE TARGET THIS IS A POSITIVE OUTCOME FOR THE DENTIAL PROGRAM STRATEGY 2 STRENGTHEN PATIENTS KNOWED FOR TRAGET THIS IS A POSITIVE OUTCOME FOR THE DENTIAL PROGRAM STRATEGY 2 STRENGTHEN PATIENTS KNOWED FOR TRAGET THIS IS A POSITIVE OUTCOME FOR THE DENTIAL PROGRAM STRATEGY 2 STRENGTHEN PATIENTS WHO DEPORT RARGET THIS IS A POSITIVE OUTCOME FOR THE DENTIAL PROGRAM STRATEGY 2 STRENGTHEN PATIENTS WHO DEPORT RARGET THIS IS A POSI

ldentifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS	' '	COVENANT HEALTH SYSTEM IS THE SOLE CORPORATE MEMBER OF COVENANT CHILDREN'S HOSPITAL

ldentifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	FORM 990, PART VI, LINE 7A	COVENANT CHILDREN'S HOSPITAL HAS A TIERED GOVERNANCE IN WHICH THE CORPORATE MEMBERS RESERVE THE RIGHT TO APPOINT TRUSTEES TO THE COVENANT CHILDREN'S HOSPITAL BOARD ALL DIRECTORS APPOINTMENTS THAT COME FROM THE COVENANT CHILDREN'S HOSPITAL BOARD AS NOMINATIONS MUST BE APPROVED BY COVENANT HEALTH SYSTEM, AS THE CORPORATE MEMBER, AND THE ST JOSEPH HEALTH SYSTEM, AS THE TAX EXEMPT PARENT OF COVENANT HEALTH SYSTEM, AND ST JOSEPH HEALTH MINISTRY, AS THE ORGANIZATIONAL SPONSOR DESCR CLASSES OF PERSONS, DECISIONS REQUIRING APPR & TYPE OF VOTING RIGHTS FORM 990, PART VI, LINE 7B THE RESERVED RIGHTS IN OUR TIERED GOVERNANCE STRUCTURE CONTEMPLATE APPROVAL BY THE COVENANT HEALTH SYSTEM MEMBER OF FINANCING, BUDGETS, UNBUDGETED EXPENDITURES OF DEFINED AMOUNTS, STRATEGIC PLAN, APPOINTMENT OF AUDITORS, CREATION OR INVESTMENT IN A LEGALLY RECOGNIZED ENTITY, JOINT VENTURES, PURPOSES, SALE OR DISPOSITION OF REAL PROPERTY, MERGER OR SALE OF SUBSTANTIALLY ALL ASSETS, APPOINTMENT AND REMOVAL OF TRUSTEES, ADOPTION OR AMENDMENT OF ARTICLES OR BY LAWS

ldentifier	Return Reference	Explanation
DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990	FORM 990, PART VI, LINE 11B	THE FORM 990 IS PREPARED BY THE FINANCE DEPARTMENT BASED ON INFORMATION RECEIVED FROM VARIOUS DEPARTMENTS OF THE ORGANIZATION AS APPLICABLE. THE FORM 990 IS THEN REVIEWED BY AN OFFICER OF THE ORGANIZATION A COPY OF THE FORM 990 FILING IS DISTRIBUTED TO ALL VOTING MEMBERS OF THE BOARD FOR THE APRIL 2013 MEETING DURING THE BOARD FINANCE COMMITTEE MEETING, MANAGEMENT PRESENTS AND DISCUSSES CERTAIN DISCLOSURES AND INFORMATION INCLUDED IN THE FORM 990 THE BOARD FINANCE COMMITTEE CHAIR THEN PROVIDES A SUMMARY AT THE FULL BOARD MEETING

ldentifier	Return Reference	Explanation
DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST	FORM 990, PART VI, LINE 12C	OFFICERS, TRUSTEES, AND KEY EMPLOYEES ARE REQUIRED TO DISCLOSE ANNUALLY ON THE CONFLICT OF INTEREST DISCLOSURE FORM THE EXISTENCE AND NATURE OF ANY ACTUAL, APPARENT, OR POTENTIAL CONFLICTS OF INTEREST HE/SHE MAY HAVE ADDITIONALLY, DISCLOSURES SHALL BE MADE PROMPTLY ANY TIME AN ACTUAL, APPARENT, OR POTENTIAL CONFLICT OF INTEREST ARISES AND BEFORE THE CONSUMMATION OF ANY CONTRACT, TRANSACTION, OR ARRANGEMENT THAT IS THE SUBJECT OF THE POTENTIAL CONFLICT OF INTEREST WHEN A CONFLICT OF INTEREST IS IDENTIFIED, SUCH CONFLICT IS DISCLOSED TO THE COVENANT CHILDREN'S HOSPITAL'S CONFLICTS & COMPENSATION COMMITTEE IF THE CONFLICT INVOLVES A MEMBER OF THAT COMMITTEE, THE REMAINING COMMITTEE MEMBERS REVIEW THE MATTER AND DETERMINE WHETHER A CONFLICT OF INTEREST EXISTS THE OFFICER, TRUSTEE, OR KEY EMPLOYEE MAY NOT BE PRESENT DURING ANY MEETING IN WHICH THE COMMITTEE CONDUCTS ITS EVALUATION, EXCEPT TO ANSWER QUESTIONS AS MAY BE NECESSARY ONCE ALL NECESSARY INFORMATION HAS BEEN OBTAINED, THE COMMITTEE CONDUCTS ITS EVALUATION AND FORWARDS ITS FINDINGS AND RECOMMENDATIONS TO THE SJHS CHIEF COMPLIANCE OFFICER IF THE COMMITTEE DETERMINES AN UNRESOLVED CONFLICT OF INTEREST EXISTS, THE COMMITTEE WILL EVALUATE AND RECOMMEND CONFLICT MITIGATION STRATEGIES THE SJHS CHIEF COMPLIANCE OFFICER, IN CONSULTATION WITH SJHS GENERAL COUNSEL, WILL REVIEW THE COMMITTEE FINDINGS, RECOMMENDATIONS, AND MITIGATION STRATEGIES, AND PRESENT RECOMMENDATIONS OT THE BOARD FOR DISCUSSION AND VOTE

ldentifier	Return Reference	Explanation
PROCESS USED TO DETERMINE COMPENSATION	FORM 990, PART VI, LINES 15A & 15B	THE ORGANIZATIONS CHIEF EXECUTIVE OFFICER IS PAID BY ITS TAX EXEMPT PARENT, COVENANT HEALTH SYSTEM, AND IS DISCLOSED AS A PERSON PAID BY A RELATED ORGANIZATION THE EXECUTIVE COMPENSATION PROCESS AT ST JOSEPH HEALTH SYSTEM IS ADMINISTERED BY A COMMITTEE OF INDEPENDENT TRUSTEES THEY FOLLOW A BOARD-APPROVED CHARTER AND OVERALL EXECUTIVE COMPENSATION PHILOSOPHY THE CHARTER EMPOWERS THE SJHS BOARD WORKLIFE COMMITTEE TO ADMINISTER THE EXECUTIVE COMPENSATION PROGRAM AND PROCESS ON BEHALF OF THE FULL BOARD OF TRUSTEES OF SJHS OVERALL, THE PHILOSOPHY IS INTENDED TO REWARD A BROAD SPECTRUM OF HIGH ORGANIZATIONAL AND INDIVIDUAL PERFORMANCE EXPECTATIONS, AS WELL AS THE RETENTION OF KEY MANAGEMENT TALENT THE SJHS EXECUTIVE COMPENSATION PHILOSOPHY DEFINES THE MARKET FOR ADMINISTERING COMPENSATION AS A COMPARABLE SET OF NOT-FOR-PROFIT HEALTH CARE DELIVERY SYSTEMS SJHS PROVIDES COMPENSATION TO ITS SENIOR EXECUTIVES IN THE FORM OF BASE SALARY, AN ANNUAL INCENTIVE PROGRAM, AND BENEFITS TO FULFILL THEIR RESPONSIBILITY, THE COMMITTEE REGULARLY REVIEWS INFORMATION FROM MULTIPLE SOURCES OF MARKET DATA THEY USE THIS INFORMATION TO SUPPORT THEIR DECISIONS REGARDING ONGOING EFFECTIVENESS AND ADMINISTRATION OF THE PROGRAM THE WORKLIFE COMMITTEE IS COMPENSED OF SEVERAL INDEPENDENT MEMBERS OF THE BOARD THEY MEET AT LEAST 3 TIMES A YEAR AND MAKE ALL CRITICAL DECISIONS IN EXECUTIVE SESSION THESE DECISIONS ARE DOCUMENTED IN DETAILED MINUTES AND APPROVED IN SUBSEQUENT MEETINGS THE COMMITTEE IS EMPOWERED TO ENGAGE OUTSIDE COUNSEL AND CONSULTING SUPPORT AS NEEDED THE WORKLIFE COMMITTEE. PERFORMED ITS LAST COMPENSATION REVIEW FOR ASSISTANT VICE PRESIDENTS, VICE PRESIDENTS, SENIOR VICE PRESIDENTS, EXECUTIVE VICE PRESIDENTS, AND THE CHIEF EXECUTIVE OFFICER IN JUNE 2012

ldentifier	Return Reference	Explanation
CONFLICT OF INTEREST	FORM 990, PART VI, LINE 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST THE SJHS COMMUNITY BENEFIT REPORTS, FINANCIAL REPORTS, AND PHILANTHROPY REPORTS ARE ALSO AVAILABLE ON THE SJHS INTERNET SITE THE AUDITED FINANCIAL STATEMENTS ARE ALSO ATTACHED TO FORM 990

ldentifier	Return Reference	Explanation
HOURS DEVOTED TO RELATED ORGANIZATIONS	FORM 990, PART VII	CERTAIN EXECUTIVES AND BOARD MEMBERS OF THIS ORGANIZATION ALSO DEVOTED TIME TO OTHER ENTITIES RELATED TO THE FILING ORGANIZATION THE HOURS DEVOTED TO THE RELATED ORGANIZATIONS ARE NOT GENERALLY TRACKED BY ENTITY

ldentifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 5	CONTRIBUTED CAPITAL NET CHANGE \$175,660 UNREALIZED OPERATING GAIN \$293,748 ROUNDING \$ 2 TOTAL \$469,410

ldentifier	Return Reference	Explanation
OVERSIGHT OR SELECTION PROCESS	FORM 990, PART XII, LINE 2C	THE ST JOSEPH HEALTH SYSTEM BOARD APPROVES THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SELECTION OF THE INDEPENDENT ACCOUNTANT

SCHEDULE R
(Form 990)

Related Org

Related Organizations and Unrelated Partnerships

► Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.

► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

DLN: 93493133053173

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Name of the organization METHODIST CHILDREN'S HOSPITAL				Employer i 75-24289	dentification number		
Part I Identification of Disregarded Entities (Compl	ete ıf the organızatı	on answered "Yes'	" on Form 990, P	•	11		
(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity		
Part II Identification of Related Tax-Exempt Organi or more related tax-exempt organizations during t		ıf the organization	n answered "Yes'	' on Form 990, F	Part IV, line 34 becau	ise it had	l one
(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 statu (if section 501(c)(3	(f) Direct controlling entity	Section 5 cont	(g) 512(b)(13 trolled nızatıon
See Additional Data Table						Yes	No
<u>cee i aditional para Table</u>							
For Privacy Act and Paperwork Reduction Act Notice, see the Instruction	ons for Form 990.	Cat No 50	0135Y	•	Schedule R (Form 990) 2011

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	,	(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 Disprop allocat	rtionate	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j Gener mana partr	ral or iging	(k) Percentage ownership
							Yes	No		Yes	No	
See Additional Data Table												
											, in the second	_

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

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

chedule R (Form 990) 2011		Рa	ige 3
Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 3	5A, 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)	1 g		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
I Performance of services or membership or fundraising solicitations by related organization(s)	11	Yes	
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m	Yes	
n Sharing of paid employees with related organization(s)	1n	Yes	
o Reimbursement paid to related organization(s) for expenses	10		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	
3. If the answer to any of the above is "Vec." see the instructions for information on who must complete this line, including covered relationships and transact			

2	If the answer to any of the above is "	Yes,	see the instructions for information (on who must complete this lin	ne, 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) COVENANT HEALTH SYSTEM FOUNDATION	С	350,965	ACCRUAL
(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)	org	(e) Are all partners section 501(c)(3) janizations?	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		amount in box		j) eral or aging ener?	(k) Percentage ownership
			,	Yes	No			Yes	No		Yes	No	

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
IDENTIFICATION	SCHEDULE R,	ST JOSEPH HEALTH SYSTEM HOME HEALTH AGENCY EIN 33-0282945 ADDRESS 1845 W ORANGEWOOD AVENUE, STE 200 ORANGE, CA
OF RELATED	PART III	92868-2012 ST JOSEPH HEALTH SYSTEM HOME CARE SERVICES EIN 33-0307672 ADDRESS 1845 W ORANGEWOOD AVENUE, STE 100
ORGANIZATIONS		ORANGE, CA 92868-2012 METHODIST DIAGNOSTIC IMAGING EIN 75-2343261 ADDRESS 4005 24TH STREET LUBBOCK, TX 79410 SHA, LLC
TAXABLE AS A		EIN 75-2569094 ADDRESS 12940 NORTH HIGHWAY 183 AUSTIN, TX 78750 LUBBOCK SURGERY CENTER, LTD EIN 75-2177401 ADDRESS
PARTNERSHIP		4000 24TH STREET LUBBOCK, TX 79410 COVENANT LONG-TERM CARE, LP EIN 20-5033419 ADDRESS 4000 24TH STREET LUBBOCK, TX
		79410 HERITAGE INVESTMENT GROUP I, LLC EIN 27-1000061 ADDRESS 500 S MAIN STREET STE 1000 ORANGE, CA 92868 MISSION
		AMBULATORY SURGICENTER, LTD EIN 33-0355575 ADDRESS 27800 MEDICAL CENTER ROAD, STE 362 MISSION VIEJO, CA 92691
		COMPREHENSIVE IMAGING PARTNERS OF ORANGE COUNTY, LLC EIN 26-4591502 ADDRESS ONE CITY BOULEVARD WEST, SUITE 1100
1		ORANGE, CA 92868 ST JOSEPH PHYSICIAN VENTURES I, LLC EIN 45-4521884 ADDRESS 1100 WEST STEWART DRIVE ORANGE, CA 92868

Software ID: Software Version:

EIN: 75-2428911

Name: METHODIST CHILDREN'S HOSPITAL

Form 990, Schedule R, Part II - Id	dentification of Re	elated Tax-	Exempt Orga	nizations			
(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	Section (b)(g on 512 (13) rolled ization
COVENANT HEALTH PARTNERS 3615 19TH STREET LUBBOCK, TX 79410 61-1573313	HEALTHCARE	TX	501(C) (3)	11,I	CHS	Yes	
COVENANT HEALTH SYSTEM 3615 19TH STREET LUBBOCK, TX 79410 75-2765566	HEALTHCARE	тх	501(C) (3)	3	SJHS		No
COVENANT HEALTH SYSTEM FOUNDATION 4000 24TH STREET LUBBOCK, TX 79410 75-2897026	HEALTHCARE	тх	501(C) (3)	7	CHS	Yes	
COVENANT MEDICAL GROUP 3420 22ND PLACE LUBBOCK, TX 79410 75-2743883	HEALTHCARE	тх	501(C) (3)	3	CHS	Yes	
HOME CARE PARTNERS 1165 MONTGOMERY DR SANTA ROSA, CA 95405 68-0318656	INACTIVE	CA	501(C) (3)	3	SRMH	Yes	
HOSPICE OF LUBBOCK 1102 SLIDE ROAD LUBBOCK, TX 79414 75-2133781	HEALTHCARE	тх	501(C) (3)	9	CHS	Yes	
LUBBOCK METHODIST HOSPITAL FOUNDATION 3615 19TH STREET LUBBOCK, TX 79410	HEALTHCARE	тх	501(C) (3)	7	CHS	Yes	
75-2220963 METHODIST HOSPITAL LEVELLAND 1900 COLLEGE AVENUE LEVELLAND, TX 79336 75-2246348	HEALTHCARE	тх	501(C) (3)	3	CHS	Yes	
METHODIST HOSPITAL PLAINVIEW 2601 DIMMITT ROAD PLAINVIEW, TX 79072 75-2426010	HEALTHCARE	тх	501(C) (3)	3	CHS	Yes	
MISSION HOSPITAL REG MED CTR FDN 27700 MEDICAL CENTER ROAD MISSION VIEJO, CA 92691 33-0406118	HEALTHCARE	СА	501(C) (3)	7	MHRMC	Yes	
MISSION HOSPITAL REGIONAL MEDICAL CENTER 27700 MEDICAL CENTER ROAD MISSION VIEJO, CA 92691	HEALTHCARE	СА	501(C) (3)	3	SJHS	Yes	
95-1643360 QUEEN OF THE VALLEY MEDICAL CENTER 1000 TRANCAS STREET NAPA, CA 94558 94-1243669	HEALTHCARE	CA	501(C) (3)	3	SJHS	Yes	
REDWOOD MEMORIAL FOUNDATION 3300 RENNER DRIVE FORTUNA, CA 95540 94-2779313	FOUNDATION	СА	501(C) (3)	7	RMH	Yes	
REDWOOD MEMORIAL HOSPITAL 3300 RENNER DRIVE FORTUNA, CA 95540 94-1384665	HEALTHCARE	СА	501(C) (3)	3	SJHS	Yes	
SANTA ROSA MEMORIAL HOSPITAL 1165 MONTGOMERY DRIVE SANTA ROSA, CA 95405 94-1231005	HEALTHCARE	CA	501(C) (3)	3	SJHS	Yes	
SISTERS OF ST JOSEPH OF ORANGE 480 S BATAVIA ORANGE, CA 92868 95-1643383	RELIGIOUS ORG	СА	501(C) (3)	1	NA		No
SRM ALLIANCE HOSPITAL SERVICES 400 NORTH MCDOWELL BLVD PETALUMA, CA 94954 68-0395200 ST 10 SERN HEALTH EDN OF N	HEALTHCARE	СА	501(C) (3)	3	SRMH	Yes	
ST JOSEPH HEALTH FDN OF N CALIFORNIA PO BOX 552 SANTA ROSA, CA 95405 68-0338070	INACTIVE	СА	501(C) (3)	11,1	SRMH	Yes	
ST JOSEPH HEALTH MINISTRY 3345 MICHELSON DR STE 100 IRVINE, CA 92612 27-1666576	RELIGIOUS ORG	CA	501(C) (3)	1	SSJO		No
ST JOSEPH HEALTH SYSTEM 3345 MICHELSON DR STE 100 IRVINE, CA 92612 95-3589356	HEALTHCARE	CA	501(C) (3)	11,1	SJHM		No

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

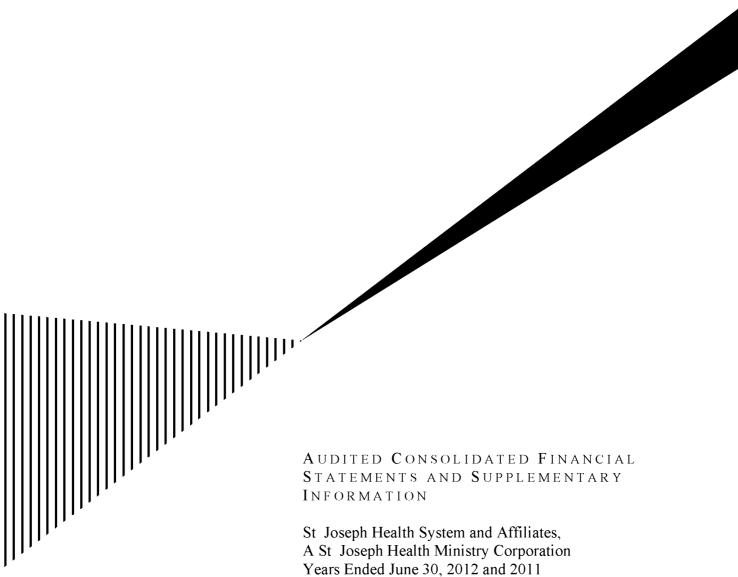
Form 990, Schedule R, Part II - I	dentification of Re	elated Tax-E	xempt Orga	nizations		
(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization
ST JOSEPH HEALTH SYSTEM FOUNDATION 3345 MICHELSON DR STE 100 IRVINE, CA 92612 33-0143024	FOUNDATION	СА	501(C) (3)	7	SJHS	Yes
ST JOSEPH HOME CARE NETWORK 170 PROFESSIONAL CENTER DR B ROHNERT PARK, CA 94928 68-0331084	HEALTHCARE	CA	501(C) (3)	9	SJHS	Yes
ST JOSEPH HOSPITAL OF EUREKA 2700 DOLBEER STREET EUREKA, CA 95501 94-1156596	HEALTHCARE	CA	501(C) (3)	3	SJHS	Yes
ST JOSEPH HOSPITAL OF ORANGE 1100 WEST STEWART DRIVE ORANGE, CA 92868 95-1643359	HEALTHCARE	CA	501(C) (3)	3	SJHS	Yes
ST JUDE HOSPITAL YORBA LINDA 279 E IMPERIAL HWY 750 FULLERTON, CA 92835 33-0185031	HEALTHCARE	СА	501(C) (3)	3	SJHS	Yes
ST JUDE HOSPITAL INC 101 EAST VALENCIA MESA DRIVE FULLERTON, CA 92635 95-1643325	HEALTHCARE	СА	501(C) (3)	3	SJHS	Yes
ST JUDE MEMORIAL FOUNDATION 1440 N HARBOR BLVD 200 FULLERTON, CA 92835 95-3607229	HEALTHCARE	СА	501(C) (3)	11, I	SJMC	Yes
ST MARY MEDICAL CENTER 18300 HIGHWAY 18 APPLE VALLEY, CA 92307 95-1914489	HEALTHCARE	CA	501(C) (3)	3	SJHS	Yes
ST MARY OF THE PLAINS HOSPITAL FDN 4000 24TH STREET LUBBOCK, TX 79410 75-1653181	HEALTHCARE	тх	501(C) (3)	7	CHS	Yes
TALLER SAN JOSE 801 NORTH BROADWAY SANTA ANA, CA 92701 59-3816355	WORKFORCE DEV	CA	501(C) (3)	2	SSJ0	Yes

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

Form 990, Schedu	ile R, Part III	- Iden	tification	of Related	Organ	ization	is Tax	able as	s a Partn	ersh	np	
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	Controlling Entity	excluded from tax under sections	(f) Share of total Income (\$)	(g) Share of end-of- year assets (\$)	allocati	ortionate ons?	UBI	Part	eral r aging ner?	(k) Percentage ownership
				512-514)			Yes	No		Yes	No	
ST JOSEPH HLTH SYS HOME HLTH SEE PART VII LUBBOCK, TX 79410 75-2177401	HOME HEALTH	CA	NA	N/A	0	0		No	0		Νo	0 %
ST JOSEPH HLTH SYS HOME CARE			NI A									
SEE PART VII LUBBOCK, TX 79410 20-5477251	HOME HEALTH	CA	NA	N/A	0	0		No	0		Νo	0 %
METHODIST												
	HEALTHCARE SVCS	тх	NA	N/A	0	0		No	0		No	0 %
79410												
SHA LLC SEE PART VII LUBBOCK, TX 79410	HEALTHCARE SVCS	тх	NA	N/A	0	0		No	0		No	0 %
LUBBOCK SURGERY CENTER LTD	HEALTHCARE SVCS	тх	NA	N/A	0	0		No	0		No	0 %
COVENANT LONG- TERM CARE LP	HEALTHCARE SVCS	ТХ	NA	N/A	0	0		No	0		No	0 %
HERITAGE INVESTMENT GROUP SEE PART VII LUBBOCK, TX	INVESTMENT	СА	NΑ	N/A	0	0		No	0		Νo	0 %
79410 MISSION AMBULATORY SURGICENTER SEE PART VII LUBBOCK, TX	HEALTHCARE SVCS	СА	NA	N/A	0	0		No	0		No	0 %
79410 COMPREHENSIVE IMAGING PARTNERS SEE PART VII LUBBOCK, TX	HEALTHCARE SVCS	СА	NA	N/A	0	0		No	0		No	0 %
79410 ST JOSEPH PHYSICIAN VENTURES	REAL ESTATE	CA	NA	N/A	0	0		No	0		Νo	0 %

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

Form 990, Schedule R, Pa	rt IV - Identific	cation of Re	elated Organ	izations Ta	axable as a	Corporation	n or Trust
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total Income (\$)	(g) Share of end-of-year assets (\$)	(h) Percentage ownership
100 IRVINE, CA 92612 33-0155323	HEALTHCARE SVCS	CA	NA	C-CORP	0	0	0 %
AMERICAN UNITY GROUP LTD 58 PAR-LA-VILLE ROAD HX BD 75-2578995	CAPTIVE INSURANCE	BD	NA	C-CORP	0	0	0 %
ALLIANCE PHYSICIAN SERVICES	INACTIVE	СА	NA	C CORP	0	0	0 %
MISSION VIEJO MEDICAL VENTURES 27800 MEDICAL CENTER RD 354 MISSION VIEJO, CA 92691 33-0201044	HEALTHCARE SVCS	CA	NA	C CORP	0	0	0 %
MISSION MEDICAL CENTER ASSOCIATION 27800 MEDICAL CENTER RD 354 MISSION VIEJO, CA 92691 33-0212905	HEALTHCARE SVCS	CA	NA	C CORP	0	0	0 %
ST JOSEPH YORBA PARK	INACTIVE	CA	NA	C CORP	0	0	0 %
LUBBOCK METHODIST HOSP SVCS PO BOX 1201 LUBBOCK, TX 79410 75-2118585	HEALTHCARE SVCS	тх	NA	C CORP	0	0	0 %
LUBBOCK METHODIST HOSP PRACTICE MGMT 2107 OXFORD STREET SUITE 300 LUBBOCK, TX 79410 75-2578995	INACTIVE	тх	NA	C CORP	0	0	0 %



With Report of Independent Auditors

Ernst & Young LLP



Audited Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2012 and 2011

Contents

Report of Independent Auditors	1
Audited Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Changes in Net Assets	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5
Supplementary Information	
Details of Consolidation (2012)	46
Details of Consolidation (2011)	56



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Report of Independent Auditors

Board of Trustees St Joseph Health System and Affiliates

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

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

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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 consolidated financial statements taken as a whole

Ernst + Young LLP

September 28, 2012

Consolidated Balance Sheets (In Thousands)

	Jun	e 30	
	 2012		2011
Assets			
Current assets			
Cash and equivalents	\$ 199,940	\$	250,712
Short-term marketable securities	784,811		715,530
Patient accounts receivable, less allowance for doubtful accounts			
(\$179.588 in 2012, \$157.456 in 2011)	485,499		455.273
Inventories and other	 174,030		138,699
Total current assets	1,644,280		1.560.214
Long-term marketable securities	936,487		840,399
Assets limited as to use			
Board designated	188,267		174,329
Held in trust	 196,066		65,118
Total assets limited as to use	384,333		239,447
Property and equipment, net	2,388,782		2.241.317
Investments and other	55,042		67,169
Collateral held for swap counterparty	40,402		10,339
Notes receivable	4,711		5,393
Deferred financing costs, net	20,781		20,357
Goodwill and other intangibles, net	42,280		42,818
	 163,216		146,076
Total assets	 5,517,098	\$	5,027,453
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 121,428	\$	127,508
Accrued compensation and related liabilities	234,086		257,955
Accrued liabilities	292,230		229,027
Pavable to third-party pavors	64,045		76,119
Current maturities of long-term debt	 39,238		52,017
Total current liabilities	751,027		742,626
Interest rate swaps	72,629		44,964
Other liabilities	178,597		179,259
Long-term debt, less current maturities	 1,633,784		1,334,843
Total liabilities	2,636,037		2.301.692
Net assets			
Controlling interest	2,845,141		2,696,006
Noncontrolling interests in subsidiaries	 35,920		29,755
	 2,881,061		2,725,761
Total liabilities and net assets	 5,517,098	\$	5,027,453

See accompanying notes

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

	Year Endo	ed J	une 30 2011
Revenues			
Patient service, net of contractual allowances and discounts	\$ 3,729,930	\$	3.659.620
Provision for doubtful accounts	221,400		196,250
Net patient service, net of provision for doubtful accounts	3,508,530		3,463,370
Premium	740,468		654,376
Other	126,967		105,309
Total revenues	4,375,965		4,223,055
Expenses			
Compensation and benefits	1,965,285		1,901,420
Supplies and other	891,888		917,107
Professional fees and purchased services	1,086,164		966,327
Depreciation and amortization	189,424		186,761
Interest	100,914		59,988
Total expenses	4,233,675		4.031.603
Operating income	142,290		191.452
Nonoperating (losses) gains, net	(20,560)		171,794
Excess of revenues over expenses	121,730		363,246
Less Excess of revenues over expenses attributable to noncontrolling interests	4,324		6,444
Excess of revenues over expenses attributable to controlling interests	\$ 117,406	\$	356,802
Unrestricted net assets			
Excess of revenues over expenses attributable to controlling interests	\$ 117,406	\$	356,802
Cumulative effect of loss on goodwill impairment upon adoption			
of new accounting principle	_		(17.901)
Net assets released from restrictions and other, net, attributable to			
controlling interests	 6,485		(566)
Increase in unrestricted net assets attributable to controlling interests	123,891		338,335
Noncontrolling interests			
Excess of revenues over expenses attributable to noncontrolling interests	4,324		6,444
Net assets released from restrictions and other, net, attributable to			
noncontrolling interests	1,841		(5,432)
Increase in noncontrolling interests	6,165		1,012
Temporarily and permanently restricted net assets			
Restricted net assets released from restrictions, restricted contributions			
and other, net, attributable to controlling interests	 25,244		9.307
Increase in net assets	155,300		348.654
Net assets at beginning of year	2,725,761		2,377,107
Net assets at end of year	\$ 2,881,061	\$	2,725,761
•			

See accompanying notes

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended J	une 30
	2012	2011
Cash flows from operating activities and nonoperating (losses) gains		
Increase in net assets	\$ 155,300 \$	348,654
Cumulative effect of loss on goodwill impairment upon adoption		
of new accounting principle	_	17,901
Adjustments to reconcile increase in net assets to net		
cash (used in) provided by operating activities and nonoperating (losses) gains		
Provision for doubtful accounts	221,400	196,250
Depreciation and amortization	189,424	186,761
Amortization of deferred financing costs	894	863
Increase in investments designated as trading	(310,255)	(296,255)
Restricted contributions and other, net	(25,244)	(9,307)
Change in fair value of interest rate swap agreements	36,717	(12.217)
Swap agreement cancellations	(9,052)	(8.013)
Changes in operating assets and liabilities		
Patient accounts receivable	(251,626)	(189.267)
Inventories and other current assets	(35,331)	(32.340)
Accounts payable	(6,080)	(15,296)
Accrued compensation and related liabilities	(23,869)	(37,461)
Acciued liabilities	63,203	63,974
Pavable to third-party pavors	(12,074)	15,596
Other liabilities	(662)	80,739
Net cash (used in) provided by operating activities and nonoperating (losses) gains	(7,255)	310,582
Investing activities		
Purchase of property and equipment	(336,351)	(290,809)
Decrease (increase) in investments and other	12,127	(3.969)
(Increase) decrease in collateral held for swap counterparty	(30,063)	18,671
Decrease in notes receivable	682	2,779
Net cash used in investing activities	(353,605)	(273,328)
Financing activities		
Restricted contributions and other	25,244	9,307
Proceeds from line of credit	67,152	25,500
Repayment of line of credit	· —	(71,500)
Proceeds from long-term debt	303,144	14,000
Repayment of long-term debt	(84,134)	(34,553)
(Increase) decrease in deferred financing costs	(1,318)	295
Net cash provided by (used in) financing activities	310,088	(56,951)
Decrease in cash and equivalents	(50,772)	(19.697)
Cash and equivalents at beginning of year	250,712	270,409
Cash and equivalents at end of year	\$ 199,940 \$	250,712
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 63,303 \$	71,342

See accompanying notes

Notes to Consolidated Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

Organization

St Joseph Health System and Affiliates (the Health System) is a non-profit organization previously sponsored by the Sisters of St Joseph of Orange, a religious order of the Roman Catholic Church, with its Motherhouse in Orange, California The sponsorship of the Heath System was expanded to include the laity in a new non-profit organization, St Joseph Health Ministry (SJHM) SJHM is a public juridic person, a pontifical structure that allows laypeople to assume sponsorship responsibilities of "temporal goods" of the Catholic church such as the Health System SJHM formally assumed sponsorship responsibilities previously exercised by the General Council of the Sisters of St Joseph of Orange There was no direct impact on the operations of the Health System and its affiliates as a result of the expanded sponsorship

The Health System is the corporate member of 13 acute care hospital affiliates (3,545 licensed beds), which also offer associated ancillary, skilled nursing, psychiatric, substance abuse, rehabilitation, outpatient surgery, home health, and hospice services. The Health System also provides outpatient services and physician practice management through its affiliated non-profit subsidiaries and controlling interests in various partnerships. The hospital affiliates are

- St Joseph Hospital of Orange, Orange, California
- St Jude Hospital, Inc (dba St Jude Medical Center), Fullerton, California
- Mission Hospital Regional Medical Center (dba Mission Hospital), Mission Viejo, California
- St Mary Medical Center, Apple Valley, California
- Queen of the Valley Medical Center, Napa, California
- Santa Rosa Memorial Hospital, Santa Rosa, California
- SRM Alliance Hospital Services (dba Petaluma Valley Hospital), Petaluma, California
- St Joseph Hospital of Eureka, Eureka, California
- · Redwood Memorial Hospital, Fortuna, California
- Covenant Health System (dba Covenant Medical Center Lakeside and Covenant Medical Center), Lubbock, Texas
- Methodist Children's Hospital (dba Covenant Children's Hospital), Lubbock, Texas
- Methodist Hospital Levelland (dba Covenant Levelland), Levelland, Texas
- Methodist Hospital Plainview (dba Covenant Hospital Plainview), Plainview, Texas

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

In 1998, the Health System entered into an affiliation agreement with Lubbock Methodist Hospital System and Affiliates (LMHS) The agreement provided for the formation of Covenant Health System (Covenant) (1,107 licensed beds) with contributions by the Health System and LMHS of substantially all of the assets, liabilities and operations of St Mary of the Plains Hospital and Rehabilitation Center and Foundation, Lubbock, Texas, and LMHS to Covenant

Covenant is a non-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code Firstcare, a licensed Texas Health Maintenance Organization, is 67% owned by Covenant Covenant's financial results have been consolidated with those of the Health System, as the two entities are operated under common management and control and certain Covenant hospitals are members of the Health System Obligated Group (as defined below)

Together with its hospital affiliates, the Health System owns a captive insurance company, American Unity Group, Ltd (the Captive) The Health System's hospital affiliates are also the corporate members of St Jude Hospital Yorba Linda dba St Joseph Heritage Healthcare (Heritage), a non-profit corporation providing physician practice management services The Health System is also the sole corporate member of St Joseph Professional Services Enterprises, Inc (PSE), a company formed to participate in health care-related ventures, Revenue Cycle Services, LLC, a company formed to provide collection services from health plan payors on behalf of the hospital affiliates, and St Joseph Health System Foundation, a company formed to administer funds for charitable purposes The Health System is the sole corporate member of Innovation Institute, a company formed to engage in health care-related activities with other health systems, technology companies and private investors Through PSE, the Health System owns a controlling interest in Heritage Investment Group I, LLC, a real estate company formed to construct, own and manage a medical office building

The Health System office and its hospital affiliates, along with the northern division of the Health System's home health operations, are members of the Obligated Group, as defined under trust indentures, for purposes of entering into long-term debt arrangements (see Note 5)

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the affiliated members of St Joseph Health System and entities controlled by its affiliates, and Covenant Significant intercompany accounts and transactions have been eliminated in the consolidated financial statements

Use of Estimates

The preparation of the Health System's consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements Estimates also affect the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Cash and Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The carrying amount approximates fair value because of the short maturity of the investments

Marketable Securities

Marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices or similar instruments in markets that are not active. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses, unless the income or loss is restricted by donor or law

The Health System has designated its investment portfolio as "trading" Unrealized gains and losses on marketable securities that have been designated as trading securities are included within excess of revenues over expenses. In addition, cash flows from the purchases and sales of its investment portfolio designated as trading are reported as a component of operating activities in the accompanying consolidated statements of cash flows

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Direct investments in equity securities with readily determinable fair values and all direct investments in debt securities have been measured at fair value in the accompanying consolidated balance sheets based upon quoted market prices Investments that are not anticipated to be utilized in the current period are classified as noncurrent

Investments in partnerships and limited liability companies with underlying interest in equity and debt securities are recorded using the equity method of accounting with the related changes in value in earnings reported as nonoperating gains, net in the accompanying consolidated financial statements

Patient Accounts Receivable

The Health System receives payment for services rendered to patients from the federal and state governments under the Medicare and Medicaid programs, privately sponsored managed care programs for which payment is made based on terms defined under formal contracts, and other payors The following table summarizes the percentages of gross accounts receivable from all payors

	Jun	e 30
	2012	2011
Government	40%	40%
Contracted	40	41
Others	20	19
	100%	100%

The Health System believes there are no significant credit risks associated with receivables from government programs. Receivables from contracted and others are from various payors who are subject to differing economic conditions, and do not represent any concentrated risks to the Health System. Accounts receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Health System analyzes its historical experience and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for doubtful accounts. The Health System regularly reviews data about these major payor sources of revenue in evaluating the

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts, if necessary For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Health System records a significant provision for doubtful accounts in the period of service on the basis of its past experience. The difference between the standard rates, or the discounted rates if negotiated, and the amounts actually collected after all reasonable collection efforts have been exhausted is recorded against the allowance for doubtful accounts

Inventories

Inventories, consisting principally of supplies, are stated at the lower of cost (first-in, first-out basis) or market value

Assets Limited As To Use

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Health System's Board of Trustees (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes

Property and Equipment

Property and equipment acquisitions are recorded at cost Expenditures which materially increase values, change capacities or extend useful lives are capitalized Depreciation is recorded over the estimated useful life of each class of depreciable asset, ranging from 3 to 40 years, and is computed using the straight-line method Leases which have been capitalized are amortized over the life of the lease which approximates the useful life of the assets Lease amortization is included within depreciation Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Deferred Financing Costs

Costs incurred in obtaining long-term financing are deferred and amortized over the terms of the related obligations using the effective-interest method

Goodwill and Other Intangibles

Goodwill and other intangible assets consist primarily of costs in excess of the fair value of tangible assets of acquired entities. The Health System assesses goodwill for impairment annually (see Note 6). Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets. To the extent that operating results indicate the probability that the carrying values of such assets have been impaired, provisions for losses are recorded based upon the discounted cash flows of the acquired entities over the remaining amortization period.

Self-Insurance

The Health System is self-insured, through the Captive, for professional and general liability risks, subject to certain limitations Risks in excess of \$5,000,000 per occurrence are reinsured with major independent insurance companies Based on actuarially determined estimates, provisions have been made in the accompanying consolidated financial statements (included in both accrued liabilities and other liabilities) for all known claims and incurred but not reported claims as of June 30, 2012 and 2011 The accruals for professional and general liability claims totaled \$29,702,000 and \$32,808,000 at June 30, 2012 and 2011, respectively, and are not discounted Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable

Workers' Compensation Insurance

The Health System is insured for workers' compensation claims with major independent insurance companies, subject to certain deductibles of \$1,000,000 per occurrence as of June 30, 2012 and 2011 Based on actuarially determined estimates, provisions have been made in the accompanying consolidated financial statements (included in accrued compensation and other liabilities) for all known claims and incurred but not reported claims as of June 30, 2012 and 2011 The accruals for workers' compensation claims totaled \$77,256,000 and \$76,145,000 at

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

June 30, 2012 and 2011, respectively, and are not discounted In connection with the workers' compensation plan, the Health System has filed bank letters of credit with the insurance companies Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Health System has been limited by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by the Health System in perpetuity (see Note 12)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

Net Patient Service Revenues

The Health System has agreements with third-party payors that provide for payments at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments

Patient service revenues are reported at net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors Settlements are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

determined Differences between final settlements and amounts accrued in previous years are reflected in net patient service revenue of approximately \$27,401,000 in 2012 and \$13,506,000 in 2011

The Health System recognizes significant amounts of patient service revenue at the time the services are rendered even though a patient's ability to pay is not assessed. The Health System records its provision for doubtful accounts based upon historical experience, as well as collections trends for major payor types.

Patient service revenues, net of contractual allowances and discounts, recognized for the year ended June 30 are as follows

	2012		2011
	(In	Thous	ands)
Government	\$ 1,468,	779 \$	1,396,129
Contracted	1,901,	663	1,678,019
Self-pay and others	359,	488	585,472
	\$ 3,729,	930 \$	3,659,620

The Health System is reimbursed for services provided to patients under certain programs administered by governmental agencies Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Health System believes that they are in compliance with all applicable laws and regulations, and they are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs (see Note 13)

Premium Revenues

Firstcare contracts with various employers to provide medical services to subscribing participants Firstcare receives monthly premium payments from employers and contracts with various medical providers to provide medical care Firstcare's premium revenue was \$351,324,000 in 2012 and \$288,179,000 in 2011

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

In addition to the Firstcare contracts, the Health System has contracts with various health plans to provide medical services to subscribing participants. Under these agreements, the Health System's hospital affiliates and Heritage receive monthly capitation payments based on the number of each health plan's participants enrolled with participating affiliated or local physician groups that have designated the hospital affiliates as their provider. Under these arrangements, the hospital affiliates are responsible for hospital contracted services provided to plan participants including services received at other health care facilities. The Health System's premium revenue for the contracts was \$389,144,000 in 2012 and \$366,197,000 in 2011. The hospital affiliates have accrued for estimated claims for professional services and services from other providers (included in accrued liabilities). Claims accruals related to these services are generally based on claims lag analyses and are continually monitored and reviewed.

Charity Care

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

Effective July 1, 2010, the Health System updated its process for determining charity care whereby the Health System analyzes patient accounts receivable for eligibility as presumptive charity care through obtaining additional financial information for uninsured or underinsured patients who have not supplied the requisite information. The additional information obtained is used by the Health System to determine whether the patients qualified for charity care in accordance with the Health System's policy. The Health System continues to utilize the updated process for determining charity care and amounts reported for the year ended June 30, 2012, include presumptive charity care amounts at cost.

Operating Income

The Health System's primary purpose is to provide diversified health care services to the community served by its affiliates. Only those activities directly associated with the furtherance of this purpose are considered operating activities and classified as unrestricted operating revenues and expenses. Operating revenues include those generated from direct patient care, related support services, and other revenues related to the operation of the Health System Other

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

activities that result in gains or losses unrelated to the Health System's primary purpose are considered to be nonoperating Nonoperating gains and losses include gifts and bequests not restricted by donors, investment income, realized and unrealized gains and losses on trading securities, gains and losses from the sale of property and equipment, and gains and losses on extinguishment of debt

The Health System considers the performance indicator to be the excess of revenues over expenses

Income Taxes

The principal operations of the Health System are exempt from taxation pursuant to Internal Revenue Code Section 501(c)(3) and the related state provisions

Accounting Standards Codification (ASC) 740, *Income Taxes*, clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, disclosure, and transition The guidance is applicable to pass-through entities and tax-exempt organizations. No significant tax liability for tax benefits, interest or penalties was accrued at June 30, 2012 or 2011

The Health System currently files Form 990 (informational return of organizations exempt from income taxes) and Form 990-T (business income tax return for an exempt organization) in the U S federal jurisdiction and the states of California and Texas for each tax-exempt organization as appropriate The Health System is not subject to income tax examinations prior to 2008 in major tax jurisdictions

California Hospital Quality Assurance Program

California legislation established a program that imposes a Quality Assurance Fee (QA Fee) on certain general acute care hospitals in order to make supplemental and grant payments and increased capitation payments (Supplemental Payments) to hospitals up to the aggregate upper payment limit for various periods There have been three such programs since inception The first two programs were the 21-month program (21-Month Program) covering the period April 1, 2009 to December 31, 2010, and the six-month program (Six-Month Program) covering the

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

period January 1, 2011 to June 30, 2011 (the "Original Programs"), and the third, a 30-month program covering the period from July 1, 2011 to December 31, 2013 (the 30-Month Program, collectively, the "Programs") The 30-Month Program was signed into law by the Governor of California in September 2011 The Programs are designed to make supplemental inpatient and outpatient Medi-Cal payments to private hospitals, including additional payments for certain facilities that provide high-acuity care and trauma services to the Medi-Cal population This hospital QA Fee program provides a mechanism for increasing payments to hospitals that serve Medi-Cal patients, with no impact on the state's General Fund (GF) Some of these payments will be made directly by the state, while others will be made by Medi-Cal managed care plans, which will receive increased capitation rates from the state in amounts equal to the Supplemental Payments Outside of the legislation, the California Hospital Association (CHA) has created a private program, operated by the California Health Foundation and Trust (CHFT), which was established to alleviate disparities potentially resulting from the implementation of the Programs

The Original Programs required full federal approval (i e by the Centers for Medicare and Medicaid Services (CMS)) in order for them to be fully enacted If final federal approval was not ultimately obtained, provisions in the underlying legislation allowed for the QA Fee, previously assessed, and Supplemental Payments, previously received, to be returned and recouped, respectively As such, revenue and expense recognition was not allowed until full CMS approval was obtained Full CMS approvals for the 21-Month Program and Six-Month Program were obtained in December 2010 and December 2011, respectively For the year ended June 30, 2011, the Health System recognized payments to the California Department of Health Care Services (DHCS) for the QA Fee in the amount of \$101,951,000 and pledge payments to the CHFT of approximately \$2,496,000 within supplies and other expenses. The Health System recognized Supplemental Payment revenue for the year ended June 30, 2011, in the amount of \$136,811,000 within net patient service revenues

During the year ended June 30, 2012, under the Six-Month Program, the Health System recognized payments to DHCS for the QA Fee in the amount of \$34,375,000 and pledge payments to CHFT of \$876,000 within supplies and other expenses During the year ended June 30, 2012, the Health System also recognized Supplemental Payment revenue in the amount of \$52,917,000 pertaining to the Six-Month Program within net patient service revenues

Software ID: Software Version:

EIN: 75-2428911

Name: METHODIST CHILDREN'S HOSPITAL

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

Compensated Employees, and Independent Contractors											
(A) Name and Title	(B) Average hours per		(ition that a		/)			(D) Reportable compensation from the	(E) Reportable compensation from related	(F) Estimated amount of other compensation	
	week	Individual trustae or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	organization (W- 2/1099-MISC)	organizations (W- 2/1099- MISC)	from the organization and related organizations	
JOHN C ANDERSON	3 0	X				۵		0	0	0	
BOARD MEMBER/COMMITTEE CHAIR MICHAEL DANCHAK MD BOARD MEMBER	2 0	Х						0	0	0	
SISTER SHARON BECKER CSJ BOARD MEMBER	2 0	Х						0	0	0	
SUZANNE BLAKE BOARD MEMBER	2 0	Х						0	0	0	
TODD BRODBECK DO BOARD MEMBER	2 0	Х						0	0	0	
JOHN HAMILTON BOARD MEMBER	2 0	Х						0	0	0	
JOE DEE BROOKS BOARD MEMBER	2 0	Х						0	0	0	
KITTY HARRIS PHD BOARD MEMBER	2 0	Х						0	0	0	
SAM HAWTHORNE BOARD MEMBER	2 0	Х						0	0	0	
BRENT HOFFMAN BOARD MEMBER	2 0	Х						0	0	0	
JANIE RAMIREZ BD MEMBER-SEC/COMMITTEE CHAIR	3 0	Х		х				0	0	0	
VAN MAY BD MEMBER-CHAIR/COMM CHAIR	5 0	Х		х				0	0	0	
MICHAEL ROBERTSON MD BOARD MEMBER	2 0	Х						0	36,000	0	
JUAN SANCHEZ MUNOZ PHD BOARD MEMBER	2 0	Х						0	0	0	
SISTER MARY THERESE SWEENEY CSJ BOARD MEMBER/COMMITTEE CHAIR	3 0	Х						0	0	0	
RICHARD PARKS PRESIDENT/CEO	20 0	Х		×				0	1,036,771	24,473	
TEB THAMES MD BOARD MEMBER	2 0	Х						0	0	0	
DAN POPE BOARD MEMBER	2 0	Х						0	0	0	
JOHN ZWIACHER BD MEMBER-VICE CHR/COMM CHAIR	3 0	Х		х				0	0	0	
MONSIGNOR DAVID CRUZ BOARD MEMBER (THRU 12/31/2011)	2 0	Х						0	0	0	
SISTER SUZANNE SASSAS CSJ BOARD MEMBER (THRU 12/31/2011)	2 0	Х						0	0	0	
JOHN GRIGSON CFO	120			Х				0	769,606	30,291	
TROY THIBODEAUX COO	20 0			х				0	424,570	4,245	
ROXIE TAYLOR VP ADMIN LAKESIDE & JACC	20 0				х			0	432,968	26,099	
JO ANN ESCASA-HAIGH BOARD MEMBER	2 0	Х						0	600,573	43,728	

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

compensated Employees, and 1	ерена										
(A) Name and Title	(B) Average hours		(i ition that a			II		(D) Reportable compensation	(E) Reportable compensation	(F) Estimated amount of other	
	per week	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	from the organization (W- 2/1099-MISC)	from related organizations (W- 2/1099- MISC)	compensation from the organization and related organizations	
CHRIS DOUGHERTY AS OF 01302012 CEO-CHILDREN'S & LAKESIDE	50 0			х				0	0	0	
LINDA DURBIN STAFF RN IV	40 0					х		118,261	0	20,659	
AUBREY BRIDGES STAFF RN II	40 0					Х		130,534	0	21,337	
KAREN BRODBECK PHARMACIST IN CHARGE	40 0					Х		124,589	0	32,691	
KACI HILL CLINICAL PHARMACIST	40 0					Х		129,958	0	15,447	
DONNA NEEL MGR NURSING	40 0					Х		132,949	0	38,078	
MELINDA CLARK PRESIDENT/CEO (THRU 10/1/2009)	0 0						х	0	282,512	0	

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

In June 2012, the legislation governing the Program was amended to allow for the fee-for-service portion of the 30-Month Program to be administered separately from the managed care portion Accordingly, upon CMS approval of the fee-for-service portion of the Program in June 2012, for the year ended June 30, 2012, the Health System recognized \$54,268,000 in accrued liabilities for the 30-Month Program QA Fee payments, which was expensed within supplies and other expenses Additionally, Supplemental Payment revenue in the amount of \$72,398,000 was recognized within net patient service revenue and as the payments were not yet received, a receivable was recorded in inventories and other current assets

Electronic Health Records Incentive Payments

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

The Health System accounts for Medicaid and Medicare EHR incentive payments as a gain contingency. For the year ended June 30, 2012, Medicare incentives of \$8,157,000 were recognized in other revenues upon demonstration of compliance with the meaningful use criteria over the entire applicable compliance period and the end of the 12-month cost report period that will be used to determine the final incentive payment. The Health System also recognized initial Medicaid incentives of \$13,122,000 for the year ended June 30, 2012, in other revenues, upon demonstration of compliance with the criteria. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Health System's compliance with meaningful use criteria is subject to audit by the federal government.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncements

Effective July 1, 2011, the Health System adopted a new accounting standard which requires health care entities to present insurance claims and related recoveries at gross values within the financial statements Adoption of the new standard did not have a significant impact on the consolidated financial statements

As of July 1, 2011, the Health System adopted the new standard requiring health care entities to present charity care disclosures at cost and provide additional disclosures relating to the measurement of charity cost. In addition, the standard requires separate disclosure of any offsetting funds received. Adoption of the new standard did not have a significant impact on the consolidated financial statements (see Note 11)

In September 2011, an accounting standard allowing organizations to perform a qualitative assessment to test goodwill for impairment was issued Following the qualitative assessment, if organizations determine that it is more-likely-than-not that the fair value of its reporting units is less than the carrying value, a quantitative assessment must be completed. The Health System adopted the standard and upon completion of the annual impairment assessment as of April 1, 2012, the Health System determined that no significant indicators of impairment exist for its goodwill (see Note 6)

Recent Accounting Pronouncements

In May 2011, an amended accounting standard was released and effective for financial statements for annual periods beginning after December 15, 2011, relating to the intent of existing fair value measurement and disclosure requirements under ASC 820, Fair Value Measurements and Disclosures The Health System is currently evaluating the impact of this standard to the consolidated financial statements

Notes to Consolidated Financial Statements (continued)

2. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Health System utilizes a three-tier fair value hierarchy, as determined at the end of the reporting period, which prioritizes the inputs used in measuring fair value as follows

- Level 1 Pricing is based on observable inputs such as quoted prices in active markets Financial assets in Level 1 include money market, treasury, corporate debt, and listed equities held by the Health System
- Level 2 Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities Financial assets and liabilities in this category generally include money market funds, U S Treasury securities, corporate bonds and loans, municipal bonds, and interest rate swap obligations
- Level 3 Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, and discounted cash flow models. This category primarily includes certain corporate debt securities.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques as follows

- (a) Market approach Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities
- (b) Cost approach Amount that would be required to replace the service capacity of an asset (replacement cost)

Notes to Consolidated Financial Statements (continued)

2. Fair Value Measurements (continued)

(c) Income approach Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models)

The Health System has invested in five funds which are included in long-term marketable securities and assets limited as to use in the accompanying consolidated balance sheets Specifically, the Health System has invested in two hedge funds, a real estate fund, a real return fund, and a venture capital fund. The funds use various strategies including long/short equities, arbitrage, and event driven strategies to seek positive returns, regardless of market direction. The terms and conditions upon which the Health System may redeem investments in the two hedge funds range from quarterly with 30 to 45 days' notice to annually with 30 days notice. These investments are made through limited partnerships where liquidity may be limited on new contributions for up to two years. Withdrawals from the Health System's real estate investment may be subject to a withdrawal queue depending on the available cash in the fund. The real return fund has monthly liquidity. Investments in the venture capital fund can be accessed on the partnership termination date. Total unfunded commitments were \$56,454,000 as of June 30, 2012 and there were no significant unfunded commitments as of June 30, 2011. The value for these funds recorded under the equity method of accounting and included within the tables below was \$240,042,000 at June 30, 2012 and \$179,832,000 at June 30, 2011.

Notes to Consolidated Financial Statements (continued)

2. Fair Value Measurements (continued)

The following tables provide the composition of certain assets and liabilities as of June 30, 2012 and 2011

	Jui	ne 30, 2012	M	noted Prices in Active larkets for Identical Assets (Level 1)	S C	Significant Other Observable Inputs (Level 2)	U	Significant nobservable Inputs (Level 3)		Fair Value Method nvestments]	Equity Method vestments	Valuation Technique (a,b,c)
Current assets						(111 1 110	nisa	nusj					
Cash and equivalents	\$	199,940	\$	199,940	\$	_	\$	_	\$	199,940	\$	_	a
Short-term marketable securities Money market funds U.S. Treasury securities Corporate debt securities Corporate equity securities	\$	12,813 318,948 212,446 240,604	\$	6,499 7,912 20,184 240,604	\$	6,314 311,036 192,262	s	- - - -	s	12,813 318,948 212,446 240,604	\$	- - - -	a a a,c a
	\$	784,811	\$	275,199	\$	509,612	\$		\$	784,811	\$		
Long-term marketable securities Money market funds U.S. Treasury securities Corporate debt securities Corporate equity securities Other	s	53,984 142,388 79,863 421,568 238,684	\$	14,541 342 - 417,402	\$	39,443 142,046 77,888 4,166	\$	- 1,975 - -	\$	53,984 142,388 79,863 421,568	\$	- - - - 238,684	a a a a
	\$	936,487	\$	432,285	\$	263,543	\$	1,975	\$	697,803	\$	238,684	
Assets limited as to use Board designated Money market funds U.S. Treasury securities Corporate debt securities Corporate equity securities Other	\$	93,749 8,932 51,242 32,986 1,358	\$	93,749 - - 32,986 -	\$	8,932 51,242 —	\$	- - - -	\$	93,749 8,932 51,242 32,986	\$	- - - 1,358	a a a a
	\$	188,267	\$	126,735	\$	60,174		_	\$	186,909	\$	1,358	
Held in trust Money market funds U.S. Treasury securities Corporate debt securities Corporate equity securities	s	194,505 - 254 1,307 196,066	\$	183,583 - 254 1,307 185,144	\$	10,922 - - - - 10,922	\$	- - - -	s	194,505 - 254 1,307 196,066	s	- - - -	a a a a
Cash collateral held by swap													
counterparty													
U.S. Treasury securities	\$	40,402	\$	_	\$	40,402	\$	_	\$	40,402	\$		a
	\$	40,402	\$		\$	40,402	\$	_	\$	40,402	\$		
Liabilities Interest rate swap	\$	72,629	\$	_	\$	72,629	\$	_	\$	72,629	\$		c

Notes to Consolidated Financial Statements (continued)

2. Fair Value Measurements (continued)

	Ju	ne 30, 2011	i M	oted Prices in Active arkets for Identical Assets (Level 1)	s o	ignificant Other bservable Inputs (Level 2)	Une	gnificant observable Inputs Level 3)		air Value Method westments		Equity Method vestments	Valuation Technique (a,b,c)
Current assets						(III I HOI	escinic	(5)					
Cash and equivalents	\$	250,712	\$	250,712	\$	_	\$	_	\$	250,712	\$	_	d
Short-term marketable securities	_				_				_				
Money market funds	\$	33,562	S	16.819	\$	16,743	S	_	\$	33,562	\$	_	a
U.S. Treasury securities	_	260,355	-	32,794	-	227,561	-	_	_	260,355	-	_	à
Corporate debt securities		203,994		18.294		185,449		251		203,994		-	a.e
Corporate equity securities		217,619		217.619		_		_		217.619		_	d
•	\$	715,530	\$	285.526	\$	429.753	\$	251	\$	715,530	\$	-	
Long-term marketable securities													
Money market funds	\$	30,454	\$	11.326	\$	19,128	\$	_	\$	30,454	\$	_	a
U.S. Treasury securities		146,386		87.341		59,045		_		146.386		_	a
Corporate debt securities		119,700		253		117,600		1.847		119,700		_	a
Corporate equity securities		365,425		365,425		-		_		365,425		_	a
Other		178,434		-		-		-		_		178,434	
	\$	840,399	\$	464,345	\$	195,773	\$	1.847	\$	661,965	\$	178,434	
Assets limited as to use Board designated													
Money market funds	\$	85,512	\$	85,512	\$	-	\$	_	\$	85,512	\$	_	a
U.S. Treasury securities		8,157		_		8,157		-		8,157		_	a
Corporate debt securities		49,732		16,090		33,642		-		49,732		-	à
Corporate equity securities		29,530		29,530		-		-		29,530		=	a
Other	_	1.398						-				1.398	
	\$	174,329	\$	131.132	\$	41,799	\$	_	\$	172.931	\$	1.398	
Held in trust Money market funds	\$	65,118	\$	65,118	\$	_	\$	-	\$	65.118	\$	_	a
Cash collateral held by swap counterparty	<u> </u>	10,339	\$	-	\$	10,339	\$	-	\$	10.339	\$	-	d
Liabilities Interest rate swaps	\$	44,964	\$	-	\$	44,964	\$	-	\$	44.964	\$		e

Notes to Consolidated Financial Statements (continued)

2. Fair Value Measurements (continued)

Activity for the year ended June 30, 2012, for investments with significant unobservable inputs (Level 3) consists of the following

	Year Ended June 30, 2012 (In Thousands)
Balance at July 1, 2011	\$ 2,098
Transfers out	(251)
Purchases	137
Net unrealized losses	(9)
Balance at June 30, 2012	\$ 1,975

The Health System received restricted and unrestricted pledges and contributions totaling approximately \$31,643,000 and \$42,770,000 for the years ended June 30, 2012 and 2011, respectively Contributions and pledges were measured based on actual cash and pledges received Long-term irrevocable planned gifts were measured based on discounted cash flow projections

In addition to amounts included in the previous table, the Health System's investments in partnerships, limited liability companies, and similarly structured entities amounting to approximately \$10,520,000 and \$24,488,000 as of June 30, 2012 and 2011, respectively, are included in investments and other in the accompanying consolidated balance sheets and accounted for using the equity method of accounting, which is not a fair value measurement

In accordance with ASC 350, as of July 1, 2010, goodwill with a carrying amount of \$59,373,000 was written down to its implied fair value of \$41,472,000 resulting in an impairment charge of \$17,901,000 recorded in unrestricted net assets as a cumulative effect of the adoption of the new accounting principle (see Note 6) The assets were measured using an income and market approach with significant unobservable inputs (Level 3)

Notes to Consolidated Financial Statements (continued)

2. Fair Value Measurements (continued)

Investment Gains and Losses

Net realized gains of \$17,341,000 and \$66,213,000 exclusive of related fees on sales of marketable securities are included in nonoperating (losses) gains, net for the years ended June 30, 2012 and 2011, respectively

Also included in nonoperating (losses) gains, net are net unrealized losses of \$36,002,000 and net unrealized gains of \$110,893,000 for the years ended June 30, 2012 and 2011, respectively

3. Property and Equipment

Property and equipment consists of the following at June 30

	2012	2011				
	(In Thousands)					
Land	\$ 147,659	\$ 147,254				
Buildings and improvements	2,209,537	2,186,085				
Equipment	1,556,843	1,492,433				
Construction in progress	584,199	400,494				
	4,498,238	4,226,266				
Less accumulated depreciation	(2,109,456)	(1,984,949)				
	\$ 2,388,782	\$ 2,241,317				

The Health System is required to recognize a liability for the fair value of conditional asset retirement obligations if the fair value of the liability can be reasonably estimated. The fair value of a liability for conditional asset retirement obligations must be recognized when incurred, generally upon acquisition, construction or development and/or through the normal operation of the asset. The Health System estimated the fair value of known conditional asset retirement obligations relating to the costs of asbestos abatement that will result from the Health System's current plans to renovate and/or demolish certain of its facilities. This computation is based on a number of assumptions which may change in the future based on the availability of new information, technology changes, changes in costs of remediation, and other factors. The conditional asset obligation at June 30, 2012 and 2011 was \$11,917,000 and \$14,534,000, respectively, and is included in other liabilities in the accompanying consolidated balance sheets

Notes to Consolidated Financial Statements (continued)

3. Property and Equipment (continued)

Lease Financing Obligations

In June 2006, St Joseph Hospital of Orange (SJO) executed a 55-year lease arrangement with a developer, whereby the developer agreed to construct a 130,000 square foot medical office building and a parking structure on SJO's land Under the ground lease, SJO received nominal base rent until construction was completed in August 2008, at which time SJO took occupancy SJO guaranteed to lease 64,000 square feet of the medical office building for ten years and is required to pay lease payments for the parking structure for five years. At the end of the lease term, SJO will have title to both the parking structure and the medical office building. The aggregate cost of the project was approximately \$43,527,000 and is included in buildings and improvements. All construction costs were substantially financed by the developer

In May 2005, SJO executed a 22-year lease arrangement, including two five-year lease term extensions, with a joint venture partnership in which SJO has a 35% ownership interest. The joint venture partnership owned and constructed a 56,000 square foot medical office building and parking structure on its land SJO committed to leasing the whole building, but subleased approximately 43,000 square feet to Heritage for physician offices. The aggregate cost of the project was approximately \$28,158,000 and is included in building and improvements. Substantially all construction costs were financed by the joint venture partnership.

SJO is considered the owner of both the medical office buildings and parking structures for financial reporting purposes due to certain financial arrangements that effectively fund a portion of the construction costs. Heritage is also considered a separate owner of the medical office building since it is affiliated with SJO which has a 35% ownership interest in the joint venture partnership. Accordingly, the assets and long-term debt of the medical office buildings and parking structures are recorded in the accompanying consolidated financial statements at June 30, 2012 and 2011 (see Note 5). The medical office buildings and parking structures are included in buildings and improvements as of June 30, 2012 and 2011. SJO and Heritage did not meet the criteria necessary to derecognize the asset and related long-term debt when construction was complete in 2009 and the lease terms began

1206-1364918 24

Notes to Consolidated Financial Statements (continued)

3. Property and Equipment (continued)

The cost of the medical office buildings and parking structures are amortized over the economic life Rent payments paid by SJO and Heritage are recorded as debt service payments on the debt obligation with the portion not relating to interest reducing the principal balance Minimum estimated payments under lease financing obligations, excluding the effect of Consumer Price Index adjustments, are estimated to be as follows (in thousands)

Year	
2013	\$ 517
2014	315
2015	331
2016	449
2017	577
Thereafter	64,792
Total	\$ 66,981

4. Letters of Credit

The Health System has a bank credit facility that provides for the issuance of up to an aggregate of \$50,000,000 under letters of credit Such letters of credit are collateralized under trust indentures (see Note 5) At June 30, 2012, the Health System had provided an aggregate of \$42,399,000 of these letters of credit for its workers' compensation and other insurance plans At June 30, 2012 and 2011, none of these letters have been drawn upon

1206-1364918 25

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt

At June 30, 2012, the Health System is jointly and severally liable for certificates of participation and tax-exempt revenue bonds issued on its behalf by the California Statewide Communities Development Authority (CSCDA), California Health Facilities Financing Authority (CHFFA), and the Lubbock Health Facilities Development Corporation (LHFDC)

Long-term debt consists of the following at June 30

	2012		2011
	(In The	วนรด	nds)
CSCDA Series 1999, 2000, and 2007A-F fixed rate tax-exempt bonds, net of unamortized premium of \$2,324, due in varying amounts through 2047, coupon rates of 4 50% to 5 75%	\$ 619,290	\$	636,810
LHFDC Series 2008A multi-annual three-year put bonds due in 2030, coupon rate of 3 05%	46,750		48,050
LHFDC Series 2008B variable rate tax-exempt bonds with credit facility liquidity, due in varying amounts through 2023, interest rates varying from 0 04% to 0 29%, converted in July 2011 to fixed rate tax-exempt bonds, due in varying amounts through 2023, coupon rates of 4 00% to 5 00%	105,385		116,005
CHFFA Series 2009A fixed rate tax-exempt bonds, net of unamortized discount of \$2,727, due in varying amounts through 2039, coupon rates of 5 50% and 5 75%	182,368		182,267
CHFFA Series 2009BCD fixed rate multi-annual three-, five- and seven-year put bonds, net of unamortized premium of \$7,595, due in varying amounts through 2034, coupon rates of 4 00% to 5 25%	243,260		243,700
CHFFA Series 2011ABCD variable rate tax-exempt bonds with credit facility liquidity, due in varying amounts through 2041, interest rates varying from 0 02% to 0 29%	302,110		_
Bank line of credit, balloon payment due July 2016, interest rates of 0 97% to 1 01%	50,000		_

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

		2012 2011		2011
		(In Thousands)		
Bank line of credit, balloon payment due March 2014, interest rates of 0 75% to 0 81%	\$	47,000	\$	34,000
Bank note, quarterly payments with balloon due in 2013, terminated in July 2011		_		34,700
Lease financing obligation (see Note 3)		66,981		66,173
Unsecured note payable due in varying amounts through 2018, terminated in November 2011		_		14,000
Other		9,878		11,155
		1,673,022		1,386,860
Less current portion of long-term debt	_	(39,238)		(52,017)
	<u>\$</u>	1,633,784	\$	1,334,843

The effective interest rate on tax-exempt debt was 5 02% and 6 16% at June 30, 2012 and 2011, respectively

The aggregate amount of principal maturities and sinking fund requirements related to long-term debt at June 30, 2012, is as follows (in thousands)

Year	
2013	\$ 39,238
2014	74,513
2015	34,337
2016	35,303
2017	86,621
Thereafter	1,403,010_
	\$ 1,673,022

1206-1364918 27

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

In July 2011, the Health System issued \$302,110,000 of CHFFA variable rate tax-exempt demand bonds with interest rates reset daily or weekly and liquidity supported by irrevocable credit facilities that extend through July 13, 2016, unless renewed or extended Proceeds of this issuance are being used to finance prospective projects and reimburse prior capital spending at various hospitals. In addition, the Health System converted \$105,385,000 of LHFDC variable rate demand bonds with liquidity supported by an irrevocable credit facility into a fixed rate revenue bond at interest rates varying from 4 00% to 5 00%

In conjunction with the issuance of the CHFFA variable rate tax-exempt demand bonds in July 2011, the Health System secured \$306,878,000 of credit facilities to provide liquidity for the outstanding bonds

In July 2011, the Health System entered into a new syndicated credit arrangement for \$350,000,000 in revolving credit lines expiring on July 18, 2016 The Health System had \$50,000,000 in outstanding borrowings under this credit facility at June 30, 2012

The fair value of the fixed rate tax-exempt bonds approximated \$1,598,151,000 and \$1,256,725,000 at June 30, 2012 and 2011, respectively Fair value is estimated using a discounted cash flow analysis, based on current market interest rates for similar types of borrowing arrangements. The carrying amount of the Health System's variable rate tax-exempt bonds approximates its fair value as the interest rates change with the market

At June 30, 2012, the Health System was party to six interest rate swap agreements with a current notional amount totaling \$291,257,000 and with varying expirations. The swap agreements require the Health System to pay a fixed rate in exchange for a variable rate. The market risk exposure of these agreements occurs when the fixed rate paid is greater than the variable rate received. At June 30, 2012 and 2011, the total fair value of the interest rate swaps of \$72,629,000 and \$44,964,000, respectively, represent the estimated amount the Health System would have paid upon termination of these agreements as of these dates. Fair values are based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward LIBOR curve, which is the input used in the valuation, taking also into account any nonperformance risk. Changes in the fair value of the interest rate swaps are included within interest expense. The Health System restricted \$40,402,000 and \$10,339,000 in collateral held for the swap counterparty at June 30, 2012 and 2011, respectively, as required by its swap agreements

1206-1364918 28

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

The Health System has a credit facility with a bank to cumulatively borrow up to \$80,000,000 Borrowings under this credit facility bear interest at rates based on specified margins from published indices The Health System had \$47,000,000 and \$34,000,000 in outstanding borrowings as of June 30, 2012 and 2011, respectively The credit facility expires in March 2014

Effective November 17, 2011, the Health System repaid and terminated a note payable with a bank to cumulatively borrow up to \$17,800,000 The Health System had \$14,000,000 in outstanding borrowings at June 30, 2011

As of July 13, 2011, the Health System terminated a bank line of credit to cumulatively borrow up to \$75,000,000. The Health System did not have any outstanding borrowings under this credit facility at June 30, 2011.

The Health System repaid and terminated a note payable with a bank to borrow \$60,000,000 effective July 1, 2011 The Health System had \$34,700,000 in outstanding borrowings under this credit facility at June 30, 2011

Debt Covenants

The Health System's financing agreements contain restrictive covenants and limitations on certain working capital and liquidity ratios, amount of combined debt of the corporations comprising the Obligated Group, and amount of transfer of assets to Non-Obligated Group members Additionally, the trust indentures require that funds are established with, and controlled by, a trustee during the period the bonds remain outstanding

If the Health System does not have a maximum annual debt service coverage ratio at the end of any fiscal year, including June 30, 2012, ranging from at least 2 0 to 1 0, pursuant to its trust indentures for the tax-exempt bonds issued through CSCDA, CHFFA, and LHFDC, the Health System is required to fund the applicable debt service reserve fund seven days after the required reporting date

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

Interest Cost

Interest cost incurred is summarized as follows

	Year Ended June 30		
	 2012		2011
	 (In Thousands)		
Interest paid	\$ 63,303	\$	71,342
Change in fair value of interest rate swap agreements	36,717		(12,217)
Amortization of deferred financing costs	894		863
Total interest expense	\$ 100,914	\$	59,988

6. Goodwill

Effective July 1, 2010, the Health System adopted the standard related to the accounting treatment for goodwill and indefinite-lived intangible assets by not-for-profit organizations and accordingly, ceased the amortization of its goodwill The accounting standard requires that the Health System test the carrying value of goodwill for impairment at the reporting unit level on an annual basis, or more frequently if significant indicators of impairment exist. The Health System primarily utilized the income and market approaches to valuation that include the discounted cash flow method, the guideline company method, as well as other generally accepted valuation methodologies to determine the fair value of its reporting units

Upon completion of the transitional goodwill impairment test as of July 1, 2010, the Health System determined that the estimated fair value of two of its reporting units was less than their respective carrying values As a result, the Health System recognized an impairment of \$17,901,000 recorded as a reduction in net assets The Health System has elected an annual measurement date of April 1

As of July 1, 2011, the Health System adopted the accounting standard allowing organizations to perform an initial qualitative assessment to test goodwill for impairment at a reporting unit level Upon completion of the qualitative assessment as of April 1, 2012, the Health System determined that it is not more-likely-than-not that the fair value of its reporting units is less than

Notes to Consolidated Financial Statements (continued)

6. Goodwill (continued)

the carrying value As a result, the Health System determined that no significant indicators of impairment exist for its goodwill that would require additional analysis before its next annual evaluation

7. Children's Hospital of Orange County

SJO provides Children's Hospital of Orange County (CHOC) with specified facilities and ancillary services and other operating services under an agreement that requires CHOC to reimburse SJO for the costs of providing such services. Net patient service revenues include \$74,936,000 and \$71,741,000 for the years ended June 30, 2012 and 2011, respectively, relating to these services. The agreement will terminate on March 31, 2013

In January 1993, Mission Hospital Regional Medical Center (MHRMC) and CHOC entered into an asset purchase agreement, a long-term lease, and an operating agreement forming Children's Hospital at Mission (CHM), a wholly owned subsidiary of CHOC Pursuant to the asset purchase agreement, CHM purchased substantially all of the pediatric services and operations of MHRMC and certain tangible and intangible assets related to those activities and operations for \$10,200,000

CHM has agreed to rent space from MHRMC through January 2013 with two ten-year renewal options available under the long-term lease MHRMC provides CHM and its patients certain hospital services and facilities at an agreed-upon cost plus a percentage mark-up under the operating agreement Net patient service revenues include \$13,687,000 and \$13,830,000 for the years ended June 30, 2012 and 2011, respectively, for these services Other revenue includes \$5,993,000 and \$8,026,000 for the years ended June 30, 2012 and 2011, respectively, for other services provided to CHM

Notes to Consolidated Financial Statements (continued)

8. Acquisitions and Affiliations

Lubbock Methodist Hospital System Affiliation

The Health System entered into an affiliation agreement with LMHS to form Covenant Covenant has two corporate members the Health System and LMHS Eight members of the Covenant Board of Trustees are appointed by each corporate member. In addition, the Health System appoints the CEO of Covenant who is also an ex-officio member of Covenant's Board of Trustees with voting rights. The Health System has management responsibility for Covenant and the operations of Covenant have been integrated into the Health System's operations.

Under the terms of the affiliation agreement, net asset transfers from Covenant to the Health System are limited to \$5,000,000 in the aggregate over the life of the affiliation Exceptions to this limitation include (i) payments made to the Health System for management, administration, and other services provided by it, (ii) debt service, repayments of loans and similar financing costs, (iii) payment under the joint and several obligation of the Health System Master Indenture, (iv) return of capital contributed or other advances from the Health System, (v) payments consented to by the corporate members, (vi) payment for services such as insurance, self-insurance, benefit and retirement plans and similar programs administered by the Health System, provided such payments are substantially comparable to charges made to other Health System affiliates, and (vii) payment for property or services provided by third parties through the Health System

Also, under the terms of the affiliation agreement, the Health System and Covenant are required to leave certain deposits in local Lubbock banks. The maximum local banking amount per the agreement is \$50,000,000. Covenant is required to participate in the Health System's cash and investment management program for funds in excess of the maximum local banking amount.

In connection with the affiliation agreement, the Health System and LMHS entered into a "Members Agreement" The principle underlying the Members Agreement is that the affiliation is intended to constitute a long-term relationship Additionally, as part of the affiliation agreement, Covenant became a member of the Health System Obligated Group The accompanying consolidated financial statements present the combined balances of the Health System and Covenant and do not reflect any potential residual or noncontrolling interest related to the reciprocal offer described below based upon the integration of the operations and the related assets of Covenant into the Health System and the Health System Obligated Group

Notes to Consolidated Financial Statements (continued)

8. Acquisitions and Affiliations (continued)

The Members Agreement restricts the ability of the Health System to exit its relationship with Covenant and also precludes the Health System and Covenant from entering into a wide variety of transactions which could result in Covenant assets or affiliates being conveyed to a third party, except conveyances in the ordinary course of business. These precluded transactions are referred to as Covered Transactions. Should Covenant or the Health System undertake a Covered Transaction, they are obligated to provide notice and information to LMHS and to make a "reciprocal offer" to LMHS, including an offer to purchase LMHS's membership rights in Covenant and a simultaneous obligation to offer to sell the Health System's membership rights in Covenant to LMHS at the same purchase price, adjusted upward by a formula that reflects the dissolution percentages (57% Health System, 43% LMHS). Covenant's net assets totaled \$494,424,000 and \$469,168,000 at June 30, 2012 and 2011, respectively

9. Employee Benefit Plans

Retirement Plan

The Health System sponsors a defined contribution retirement plan that covers substantially all employees. The plan provides for employer matching contributions in an amount equal to a percentage of employee pre-tax contributions, up to a maximum amount. In addition, the Health System makes contributions to all eligible employees based on years of service. The Health System contributed \$79,072,000 in 2012 and \$75,740,000 in 2011 to the plan.

Postretirement Health

The Health System offers a retiree health reimbursement plan to provide employees who have satisfied the conditions of eligibility, with certain retiree medical expense reimbursement benefits Eligibility for plan benefits is based on age and years of service. The Health System enacted an amendment to the retiree health reimbursement plan in September 2010, with an effective date of July 1, 2011, which allows participants access to an established lump sum rather than a predetermined monthly amount

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

The following table sets forth the change in benefit obligations and components of net periodic benefit cost for the postretirement health plan As of June 30, 2012 and 2011, there were no plan assets

		2012		2011
		(In Tho	นรสก	nds)
Change in benefit obligations				
Accumulated postretirement benefit obligation at beginning of year	\$	35,688	\$	18,070
Service cost		2,164		1,850
Interest cost		1,779		1,434
Actuarial (gain) loss		674		(672)
Benefits paid		(825)		(404)
Change in plan provision		30		15,410
Accumulated postretirement benefit obligation at end of year				
recognized in the consolidated balance sheet	<u>\$</u>	39,510	\$	35,688
Amounts recognized in the consolidated balance sheet				
Funded status at end of year	\$	(39,510)	\$	(35,688)
Unrecognized prior service cost			·	
Unrecognized net (gain) or loss		_		_
Amounts recognized in the consolidated balance sheet	\$	(39,510)	\$	(35,688)
Amounts recognized in changes to unrestricted net assets				
Prior service cost	\$	(18,709)	\$	(21,846)
Net actuarial gain		12,620		14,079
Total	\$	(6,089)	\$	(7,767)
Components of net periodic benefit costs				
Service cost	\$	2,164	\$	1,850
Interest cost		1,779		1,434
Amortization of net loss		(785)		(853)
Amortization of prior service cost		3,166		2,828
Net periodic benefit cost	\$	6,324	\$	5,259

Notes to Consolidated Financial Statements (continued)

9. Employee Benefit Plans (continued)

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

	2012	2011
Weighted-average discount rate for benefit obligation Weighted-average discount rate for net periodic benefit	3.65%	4 85%
cost	4.85%	5 00%

The assumed annual health care cost trend rate for the retiree health plan is 8 50% for 2012, gradually decreasing to 5 00% in 2019 and remaining at that level thereafter

Information about the expected cash flows for the retiree health reimbursement plan follows (in thousands)

Expected employer contributions 2013	\$ 2,075
Expected benefit payments	
2013	\$ 2,075
2014	3,393
2015	4,066
2016	4,300
2017	4,237
2018–2022	21,768

10. Functional Expenses

The Health System provides general health care services to residents within the geographic locations served by its affiliates Expenses related to providing these services follow

	Ye	Year Ended June 30					
	20	2012 201					
		(In Thousands)					
Health care services	\$ 3,4	194,233 \$	3,201,953				
General and administrative	7	39,442	829,650				
	\$ 4,2	33,675 \$	4,031,603				

Notes to Consolidated Financial Statements (continued)

11. Charity Care and Community Benefits

The Health System's policy is to accept all patients regardless of their ability to pay In assessing a patient's ability to pay, the Health System's policy uses generally recognized income levels, but also considers cases where incurred charges are significant when compared to income Health care services rendered to patients who are unable to pay according to these criteria are classified as traditional charity care

The Health System's policy is also to sponsor numerous health care-related programs for the general community and the medically underserved population in the area it serves. Some of these programs include mobile medical vans, health and dental clinics, prenatal programs, AIDS residences, health referral services, and bilingual health education and are referred to as community services.

In addition to traditional charity care and other direct community services, the Health System incurred a shortfall from services rendered to patients covered by certain public programs. This shortfall is defined as the cost of providing services to state Medicaid and local indigent program beneficiaries in excess of government payments.

The cost of the aforementioned programs was determined in accordance with the Catholic Health Association's "A Guide for Planning and Reporting Community Benefit," and is summarized for 2012 and 2011, as follows

	Total Co	mmunity	Unsponsored			
	Benefit	Expense,		Commun	ity Benefit	
	at (Cost	Direct	Expense	, at Cost	
		% of Total	Offsetting		% of Total	
2012	Amount	Expenses	Revenue	Amount	Expenses	
		(.	In Thousand	(s)	_	
Benefits for the poor						
Traditional charity care	\$ 92,936	2.2%	\$ 9,410	\$ 83,526	2.0%	
Community services for the poor	47,009	1.1%	4,230	42,779	1.0%	
Unpaid cost of state and local programs	589,726	13.9%	429,149	160,577	3.8%	
Total quantifiable benefits for the poor	729,671	17.2%	442,789	286,882	6.8%	
Benefits for the broader community						
Community services for the broader community	34,820	0.8%	543	34,2 77	0.8%	
Total quantifiable benefits for the broader community	34,820	0.8%	543	34,277	0.8%	
Total community benefits	\$ 764,491	18.0%	\$ 443,332	\$ 321,159	7.6%	

Notes to Consolidated Financial Statements (continued)

11. Charity Care and Community Benefits (continued)

		mmunity Expense,	-	nsored ity Benefit	
	at (Cost	Direct	Expense	e, at Cost
		% of Total	Offsetting		% of Total
2011	Amount	Expenses	Revenue	Amount	Expenses
		(-	In Thousand	(s)	_
Benefits for the poor					
Traditional charity care	\$ 94,164	2 3%	\$ 10,668	\$ 83,496	2 1%
Community services for the poor	47,661	1 2%	4,134	43,527	1 1%
Unpaid cost of state and local programs	414,480	10 3%	252,669	161,811	4 0%
Total quantifiable benefits for the poor	556,305	13 8%	267,471	288,834	7 2%
Benefits for the broader community					
Community services for the broader community	31,437	0.8%	1,349	30,088	0.7%
Total quantifiable benefits for the broader community	31,437	0.8%	1,349	30,088	0.7%
Total community benefits	\$ 587,742	146%	\$ 268,820	\$ 318,922	7 9%

Effective July 1, 2010, the Health System updated its policy for determining charity care whereby the Health System analyzes patient accounts receivable for eligibility as presumptive charity care Traditional charity care for the years ended June 30, 2012 and 2011, in the above table, includes presumptive charity care amounts at cost

In addition, the Health System incurred \$302,817,000 and \$316,210,000 in costs in excess of reimbursement from the Medicare program in 2012 and 2011, respectively

Effective July 1, 2011, the Health System adopted the new accounting standard requiring health care entities to present charity care disclosures at cost and provide additional disclosures relating to the measurement of charity cost. In addition, the standard requires that funds received from sources such as government programs or private grants, which offset or subsidize charity services, be separately disclosed. The Health System's policy is to report charity care and community benefits disclosures on a cost basis and to report any offsetting funds separately. Charity care amounts are determined using both a ratio of cost to gross charges as well as cost accounting systems.

The Health System affiliated hospitals dedicate approximately 10% of revenues in excess of expenses attributable to controlling interests each year to the St Joseph Health System Foundation (Foundation) The Foundation administers various programs for the poor and underserved in local and other communities Such programs are reflected in community services for the poor

Notes to Consolidated Financial Statements (continued)

12. Temporarily and Permanently Restricted Net Assets

A summary of net assets at June 30 follows

	2012			2011	
	(In Thousands)				
Unrestricted	\$	2,745,595	\$	2,615,539	
Temporarily restricted		125,865		102,739	
Permanently restricted		9,601		7,483	
Total net assets	\$	2,881,061	\$	2,725,761	

Temporarily and permanently restricted net assets are donor-restricted assets appropriated for plant expansion, capital acquisition, health services, and other specific purposes

Endowments

The Health System's endowment consists of approximately 98 separate endowment funds included in assets limited as to use established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees of the hospital foundations to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary As a result of this interpretation, the Health System classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily net

Notes to Consolidated Financial Statements (continued)

12. Temporarily and Permanently Restricted Net Assets (continued)

assets until those amounts are appropriated for expenditure by the Health System in a manner consistent with the standard of prudence prescribed by UPMIFA In accordance with UPMIFA, the Health System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

- a The duration and preservation of the fund
- b The purposes of the hospital and the donor-restricted endowment fund
- c General economic conditions
- d The possible effect of inflation and deflation
- e The expected total return from income and the appreciation of investments
- f Other resources of the hospital
- g The investment policies of the hospital

The endowment net asset composition as of June 30, 2012 and 2011, by fund type, was as follows (in thousands)

	Temporarily Permanently									
2012	Uni	restricted	Re	stricted	Re	stricted	Total			
Board-designated endowment funds Donor-restricted endowment	\$	19,074	\$	4,897	\$	_	\$	23,971		
funds		_		717		9,601		10,318		
Total funds	\$	19,074	\$	5,614	\$	9,601	\$	34,289		
2011	Unrestricted			iporarily stricted		manently estricted		Total		
Board-designated endowment funds Donor-restricted endowment	\$	19,595	\$	3,672	\$	-	\$	23,267		
funds		_		531		7,483		8,014		
Total funds	\$	19,595	\$	4,203	\$	7,483	\$	31,281		

Notes to Consolidated Financial Statements (continued)

12. Temporarily and Permanently Restricted Net Assets (continued)

Changes in endowment net assets during the years ended June 30, 2012 and 2011, were as follows (in thousands)

2012	Unrestricted		Temporarily tricted Restricted			manently stricted	Total		
Endowment net assets,									
July 1, 2011	\$	19,595	\$	4,203	\$	7,483	\$	31,281	
Realized investment gains		882		157		467		1,506	
Unrealized losses		(1,179)		(327)		_		(1,506)	
Contributions, net		571		1,850		1,661		4,082	
Appropriation of endowment									
assets for expenditure		(795)		(269)		(10)		(1,074)	
Endowment net assets,									
June 30, 2012	\$	19,074	\$	5,614	\$	9,601	\$	34,289	
2011	Uni	restricted		iporarily stricted		manently stricted		Total	

		Ten	porarily	Per	manently		
Uni	Unrestricted		Restricted		estricted	Total	
\$	14,821	\$	3,517	\$	7,246	\$	25,584
	1,557		33		(556)		1,034
	2,790		679		_		3,469
	1,207		102		805		2,114
-							
	(780)		(128)		(12)		(920)
\$	19,595	\$	4,203	\$	7,483	\$	31,281
	\$ t	\$ 14,821 1,557 2,790 1,207	Unrestricted Re	Unrestricted Restricted \$ 14,821 \$ 3,517 1,557 33 2,790 679 1,207 102 (780) (128)	Unrestricted Restricted Restricted \$ 14,821 \$ 3,517 \$ 1,557 33 <td>\$ 14,821 \$ 3,517 \$ 7,246 1,557 33 (556) 2,790 679 — 1,207 102 805 (780) (128) (12)</td> <td>Unrestricted Restricted Restricted \$ 14,821 \$ 3,517 \$ 7,246 \$ \$ 1,557 33 (556) - - - - 1,207 102 805 - <td< td=""></td<></td>	\$ 14,821 \$ 3,517 \$ 7,246 1,557 33 (556) 2,790 679 — 1,207 102 805 (780) (128) (12)	Unrestricted Restricted Restricted \$ 14,821 \$ 3,517 \$ 7,246 \$ \$ 1,557 33 (556) - - - - 1,207 102 805 - <td< td=""></td<>

Notes to Consolidated Financial Statements (continued)

12. Temporarily and Permanently Restricted Net Assets (continued)

The Health System has investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while balancing the risk of investment loss with the long-term preservation of purchasing power Endowment assets include those assets of donor-restricted funds that the Health System must hold in perpetuity or for a donor-specified period as well as board-designated funds. The Health System seeks to maintain the purchasing power of the endowment assets portfolio and to achieve rates of returns which over time exceed inflation by a specified margin. To achieve its long-term investment objectives within prudent risk constraints, the Health System develops strategic asset allocation ranges and targets for the endowment portfolio and considers factors including, but not limited to, time horizon, liquidity, and risk tolerance. The current asset allocation targets emphasize diversification across asset classes to manage risk and enhance returns. Actual allocations may differ from target allocations in the short term or during periods of significant market fluctuations In addition, the Health System confirms the asset allocation ranges on an annual basis and updates the investment policy and/or target allocations, as needed, if there is a significant change in capital market expectations and/or investment objectives, including spending requirements

The Health System expects that the returns achieved for the endowment portfolio will be accompanied by capital market risk, but the Health System seeks to achieve returns, adjusted for this risk, which will compare favorably to the returns of the applicable markets and representative peers

The Health System's policy allows the individual hospital Board of Trustees to determine a spending rate from endowment investments. In establishing this policy, the Health System considers the fair market value and long-term expected return on its endowment and the factors described above.

Notes to Consolidated Financial Statements (continued)

13. Commitments and Contingencies

Operating Leases

The Health System leases land, buildings and equipment under various noncancelable operating leases excluding lease financing obligations (see Note 3) for terms up to 34 years. Lease expense was approximately \$59,298,000 in 2012 and \$65,733,000 in 2011. Sublease revenues relating to building space under various noncancelable leases were \$18,347,000 in 2012 and \$24,957,000 in 2011. The leases provide that the minimum monthly lease payments may be adjusted for inflation. Minimum lease commitments at June 30, 2012, are as follows (in thousands).

2013	\$ 50,551
2014	46,515
2015	40,795
2016	35,007
2017	17,456
Thereafter	110,474
	 300,798
Less sublease revenue	(59,341)
	\$ 241,457

Litigation

As a result of a validation survey completed by the California Department of Public Health (CDPH) in June 2012 on behalf of the Centers for Medicare and Medicaid Services (CMS), CMS concluded that Mission Hospital was not in compliance with certain of the conditions of participation as a provider in the Medicare program Mission Hospital submitted a plan of correction to CMS addressing the alleged deficiencies, and CDPH conducted a subsequent survey of the facility in August 2012 to verify compliance with all conditions of participation As a result of that August 2012 survey, CMS identified certain continuing deficiencies relating to dietary services In response to these survey findings, Mission Hospital submitted an additional plan of correction for review by CMS and CDPH Another survey of the facility is anticipated in October 2012

Notes to Consolidated Financial Statements (continued)

13. Commitments and Contingencies (continued)

While failure to comply with Medicare conditions of participation may result in termination under the Medicare program, management of the Health System anticipates that the deficiencies identified by CMS and not already corrected will be corrected by Mission Hospital within the time periods required by CMS and that Medicare and Medicaid reimbursement will not be materially adversely affected Management of the Health System does not expect that the cost of correcting the deficiencies and maintaining compliance will have a material adverse effect on the Health System's financial condition

In February 2012, the Health System became aware of and notified 31,800 patients that personal health information records residing on its internal computer networks had been accessible through external search engines. All affected patients and regulatory agencies have been notified and corrective actions have been in progress. As of June 30, 2012, six class action suits have been filed against the Health System. Due to the recent timing of the discovery and the ongoing investigation, the likelihood of an unfavorable outcome and potential financial impact is currently unknown.

The Health System has been named in complaints alleging various wage and hour violations in California Similar actions have been filed against other California employers including other hospitals and health systems. The Health System is vigorously defending the action. The case is in its preliminary stages and as a result, the likelihood of an unfavorable outcome and the potential financial impact are unknown.

The Civil Division of the Department of Justice (DOJ) has contacted the Health System in connection with its nationwide review of whether, in certain cases, hospital charges to the federal government relating to implantable cardio-defibrillators (ICDs) met the Centers for Medicare and Medicaid Services criteria. In connection with this nationwide review, the DOJ has indicated that it will be reviewing certain ICD billing and medical records at certain of the Health System's hospitals for the period from October 2003 to the present. The review could potentially give rise to claims against the Health System under the federal false claims act or other statutes, regulations or laws. At this time, management cannot predict what effect, if any, this review or any resulting claims could have on the Health System.

Notes to Consolidated Financial Statements (continued)

13. Commitments and Contingencies (continued)

In April 2012, the Health System and other providers settled class action litigation against CMS relating to the rural floor budget neutrality reimbursements from the federal fiscal years 1998 to 2011 As a result of the settlement, the Health System recognized \$24,542,000 in net patient service revenues for the year ending June 30, 2012

Certain claims, suits, and complaints arising in the ordinary course of business have also been filed or are pending against the Health System In the opinion of management, such claims, if disposed of unfavorably, would not have a material adverse effect on the Health System's consolidated financial position, results of operations or cash flows

Seismic Compliance (Unaudited)

The Health System has completed facility master plans for each of its California hospitals, including an assessment of earthquake retrofit requirements. The Health System has received an extension for compliance with seismic standards for all of its California hospitals through January 1, 2013, with an additional extension to January 1, 2015, for some hospitals for factors beyond the hospital's control. The Health System projects total costs of \$1,092,192,000 to meet these seismic standards, and in some cases these projects will meet enhanced standards for 2030. Of the total projected costs, \$745,358,000 has been spent through June 30, 2012, with additional commitments of \$291,974,000. The Health System plans to fund these projects through operations, debt issuance and philanthropy. Through June 30, 2012, the Health System has received \$318,312,000 in philanthropic support for all construction projects.

14. Subsequent Events

The Health System has evaluated subsequent events occurring between the end of the most recent fiscal year ended June 30, 2012 and September 28, 2012, the date the financial statements were issued

In August 2012, the Health System announced its intention to form an affiliation with Hoag Memorial Hospital Presbyterian (Hoag), an Orange County health care system The affiliation will not require a transfer of assets and will facilitate a coordinated delivery of health care in the Southern California region Management intends to file the definitive agreements with the California Attorney General in October 2012

Notes to Consolidated Financial Statements (continued)

14. Subsequent Events (continued)

In July 2012, Heritage entered into a definitive agreement to acquire tangible and intangible assets as well as a management company from Mission Internal Medicine Group (MIMG), a Southern California physician medical group, for approximately \$110,000,000 MIMG is a longstanding member of the south Orange County market, providing physician services and unique ancillary services, including cardiac diagnostic services, an infusion center, medical travel clinic and sleep center Upon the effective date of the transaction, MIMG will become the exclusive medical group partner in south Orange County providing professional services to patients whose contractual relationship is owned and managed by Heritage Heritage's corporate members include three of the Health System's Southern California hospitals The MIMG affiliation expands the current Heritage medical group model to three unique medical groups and to south Orange County Management currently anticipates the effective date of the transaction to be in November 2012

Supplementary Information

Consolidating Balance Sheet

(In Thousands)

June 30, 2012

	C onsolidated	Eliminations	Total Regional Entities	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St Joseph Health System Foundation	Obligated Group	Non- Obligated Group
Assets											
Current assets											
Cash and equivalents	\$ 100 040	\$ (22.368) \$	184 ~~2 \$	5000	· - :	\$ 2080 \$	1 70 \$	21 500 \$	5 311	\$ 00.350 \$	100 590
Short-term marketable securities	784 811	_	725 322	_	_	_	_	_	50 480	o8o 2ºo	98 51 5
Patient accounts receivable less											
allowance for doubtful accounts	485 400	=	485 400	=	=	=	=	=	-	437 211	48 288
Inventories and other	174 030	-	172 007	1117	_	ol	-	154	1	158 720	15 310
Total current assets	1 044 280	(22.368)	1 508 290	~ 08o	_	3 0 5 0	1 707	21 o 54	o4 801	1 381 577	262 703
Long-term marketable securities	930 487	=	874 484	62 003	=	=	=	=	-	824 984	111 503
Assets limited as to use											
Board designated	188 207	=	101 038	=	=	=	=	=	27 220	14~ 100	41 101
Held in trust	100 000	_	100 000	_	_	_	_	_	_	180 00-	0 000
Total assets limited as to use	384 333	=	357 104	=	=	=	=	=	27 220	33 7 0 7 3	47 200
Property and equipment net	2 388 782	(24 982)	2 388 708	=	12 257	12 o14	00	0.5	-	2 310 003	08 819
Investments and other	55 042	(37.872)	74 735	322	10 513	7 344	_	_	_	02 324	(37 282)
Collateral held for swap counterparty	40 402	_	40 402	_	_	_	_	_	_	40 402	_
Notes receivable	4 711	_	4 711	_	_	_	_	_	_	4~11	_
Deterred financing costs net	20 781	_	20 781	_	_	_	_	_	_	20 781	_
Goodwill and other intangibles net	42 280	(5.524)	4~804	_	_	_	_	_	_	15.527	26 753
•	163 216	(43.3%)	188 433	322	10 513	7 344	_	-	_	173 745	(10.529)
Total assets	\$ 5,517,098	\$ (90,740) \$	5,377,070 \$	00,411	22,770	\$ 23,008 \$	1,82" \$	21,719 \$	92,030	\$ 5,037,342 \$	470,750
Liabilities and net assets (deficit)											
Current habilities											
Accounts payable	\$ 121 428	\$ (193) \$	110 050 \$	801 5	s – :	s - \$	- \$	870 \$	-	\$ 107305 \$	14 033
Accrued compensation and											
related habilities	234 08o	=	227 258	=	=	=	o 334	404	-	211.376	22 710
Accrued habilities	292 230	(1.502)	273 540	1810	_	1 014	101	1	_	104 000	98 104
Payable to third-party payors	04 045	=	04 045	=	=	=	=	=	-	02 005	2 040
Current maturities of long-term debt	30 238	_	30 238	_	_	_	_	_	_	30 008	140
Total current habilities	751 027	(1 005)	724 040	18 908	-	1 014	o 435	1 305	_	013 040	137 087
Interest rate swaps	72 020	-	72 020	-	_	-	-	_	-	-2 020	-
Other liabilities	178 507	_	107 050	11 535	0	_	_	_	_	144 ~10	33 887
Notes payable and interest due (from)											
to affiliates	_	(22 503)	14 707	113	(2.228)	14 725	(344)	333	(4803)	(110 000)	110 000
Long-term debt less current maturities	1 o33 784	(37.873)	1 o51 535	_	20 122	_	_	_	_	1 630 227	3.557
Total liabilities	2 030 037	(62.071)	2 630 027	30 o lo	1- 000	10 030	0 001	1 098	(4.863)	2 344 537	291 500
Net assets (deficit)											
Controlling interest	2 845 141	(31.846)	2 714 303	38 705	4.870	0.300	(4.264)	20 021	90 893	2 092 805	152 33o
Noncontrolling interests in subsidiaries	35 920	3 171	32 740	_	_	_	-	_			35 920
<i>e</i>	2 881 001	(28 o 75)	2 747 052	38 705	4.870	o 3oo	(4 264)	20 021	00 803	2 092 805	188 25o
Total liabilities and net assets	\$ 5,517,098		5,377,079 \$	o ⁰ ,411 S					92,030		470,750

Consolidating Balance Sheet of Regional Entities (In Thousands)

June 30, 2012

		Total			Southern	Northern	Texas	System
		Regional	Elimina	itions	California	California	Region	Office
Assets								
Current assets								
Cash and equivalents	\$	184,772	\$	(31.344) \$	58.785			
Short-term marketable securities		725,322		_	350,725	189,617	104,601	80,379
Patient accounts receivable, less allowance								
for doubtful accounts		485,499		_	249.976	128,041	107.482	_
Inventories and other		172,697		_	86,898	57,918		7,727
Total current assets		1,568,290		(31.344)	746,384	404,850		113,938
Long-term marketable securities		874,484		2.365	454,459	108,900	177.296	131,464
Assets limited as to use								
Board designated		161,038		-	142,081	6,586	12,371	-
Held in trust		196,066		-	65,023	54,716	13.584	62,743
Total assets limited as to use		357,104		-	207,104	61,302	25,955	62,743
Property and equipment, net		2,388,768		-	1,441,863	578,097	258,027	110,781
Investments and other		74,735		-	24.639	2,872	20,115	27,109
Collateral held for swap counterparty		40,402		_	_	_	_	40,402
Notes receivable		4,711		_	4,485	77	149	=
Deferred financing costs, net		20,781		_	12,938	5,581	1.368	894
Goodwill and other intangibles, net		47,804		_	46,996	808		_
C		188,433		-	89,058	9,338	21,632	68,405
Total assets	\$	5,377,079	\$	(28,979) \$	2,938,868	\$ 1,162,487	\$ 817,372	\$ 487,331
Liabilities and net assets (deficit)								
Current liabilities								
Accounts payable	\$	119,950	\$	(2) \$	69.022	S 24,858	\$ 18.127	\$ 7,945
Accided compensation and				, _ ,				
related liabilities		227,258		_	90,644	55,459	34,530	46,625
Accided liabilities		273,549		_	76,635	29,076		97,143
Payable to third-party payors		64,045		_	34,094	20,395		_
Current maturities of long-term debt		39,238		(29,865)	13.849	3,604		38,580
Total current liabilities		724,040		(29,867)	284,244	133,392		190,293
Interest rate swaps		72,629		-		_	=	72.629
Other liabilities		167,056		_	14.661	1,787	29,788	120,820
Notes payable and interest due (from) to affiliates		14,767		1,364,566	56,719	44,282		
Long-term debt, less current maturities		1,651,535		1,366,043)	961,454	337,412		1,557,582
Total liabilities		2,630,027		(31,344)	1,317,078	516.873		504,472
Net assets (deficit)		2.05.0.027		(2.122.77)	117.070	310.073	3.22.740	304.472
Controlling interest		2,714,303		2,365	1,609,340	645,614	474,125	(17,141)
Noncontrolling interests in subsidiaries		32,749		2,303	1.009.340	0+3,01+	20,299	(17.1+1)
Noncontrolling interests in substitution		2,747,052		2,365	1,621,790	645,614	494,424	(17,141)
Total liabilities and net assets	•	5,377,079	•	(28,979) \$	2,938,868			\$ 487,331
Total natinities and net assets	3	3,311,019	Φ	(20,7/7) 3	2,930,808	\$ 1,102, 48 /	5 017,372	p +07,331

Consolidating Balance Sheet of Southern California Region (In Thousands)

June 30, 2012

	Southern California	El	St Joseph	St. Jude Medical	Mission	St Mary Medical	Heritage Foundation Southern	St. Joseph	St Joseph Physician	Mission Ambulatory	Mission Viejo Medical	Mission Education Conference	St Joseph Home Health
Accepte	Region	Eliminations	Orange	Center	Hospital	Center	California	Imaging	Ventures	Services	Ventures	Center	South
Assets Current assets													
Cash and equivalents	\$ 58 785	S –	·	\$ 13.916	\$ 16 634	\$ 7.624	\$ 11 106	\$ 5	\$ 6.805	\$ 2 264	\$ 251	\$ 180	¢
Short-term marketable securities	350 725	ъ –	5 – 73 552	131 793	101 614	29 501	14 265	Φ	p (30)2	3 2204	Φ =21	p 160	ъ —
Patient accounts receivable less	5507725	_	757552	151 775	107 014	22 3071	14 205	_	_	_	_	_	_
allowance for doubtful accounts	249 976	_	53 648	48 750	73 475	52 304	12 546	_	1	2 183		_	7 069
Inventories and other	86 898	_	26 900	9 190	16 422	27 760	5 663	243	_	508	_	29	183
Total current assets	746 384		154 100	203 649	208 145	117 189	43 580	248	6 806	4 955	251	209	7 252
Long-term marketable securities	454 459	_	184 315	222 229	200 143	47 915			- 0 800	4 200	221	2019	/
Assets limited as to use	サンサ サング	_	104 515		_	47 913	_	_	_	_	_	_	_
Board designated	142 081	=	53 194	16 991	69 390	650	1 856						
Held in trust	65 023	_	2 873	62 150	0% 2%0	050	1 620	_	_	_	_	_	_
Total assets limited as to use	207 104		56 067	79 141	69 390	650	1 856						
Property and equipment net	1 441 863	(49 341)	492 064	458 821	319 993	120 318		1 295	20 456	880	_	5 960	4 195
Investments and other	24 639	(30 693)	15 122	6 409	29 885	1 659		758	20 450	000	51	2, 200	4 173
Notes receivable	4 485	(30 093)	4 485	0 405	23, 0.05	1 039	1 ++0	7.50	_	_	21	_	_
Deferred financing costs net	12 938	_	5 038	4 598	2 860	442	_	_	_	_	_	_	_
Goodwill and other intangibles net	46 996	29 969	2.036	1 002	13 717		_	_	2.308	_	_	_	_
Cloudwill and other intaligibles her	89 058	(724)	24 645	12 009	46 462	2 101	1 448	758	2 308		51	_	
Total assets	\$ 2,938,868	\$ (50,065)		\$ 975,849	\$ 643,990	\$ 288,173			\$ 29,570	\$ 5,835		\$ 6,169	11,447
Liabilities and net assets (deficit) Current liabilities													
Accounts payable	\$ 69 022	\$ (4)		\$ 9 288	\$ 13 899	\$ 9.865	\$ 8 415	\$ 644	\$ -	\$ 492	\$ -	\$ -	_
Accrued compensation and related liabilities	90 644	_	31 268	20 838	20 634	10 659	6 048	-	_	232	_	-	965
Accrued liabilities	76 635	_	18 976	13 483	21 640	6 265	15 231	_	68	447	_	110	415
Payable to third-party payors	34 094	-	635	12 187	10 093	9 738		-	-	-	-	_	_
Current maturities of long-term debt	13 849	(244)	6 168	3 801	2 969	911	244	-	_	_	_	_	_
Total current liabilities	284 244	(248)	83 470	59 597	69 235	37 438	31 379	644	68	1 171	-	110	1 380
Other liabilities	14 661	_	3 141	4 531	3 638	3	1 752	1 385	136	_	_	_	75
Notes payable and interest due (from)													
to affiliates	56 719	1	2 277	(5 608)	31 514	12 809	(1 682)	900	6 510	165	7	(216)	10 042
Long-term debt less current maturities	961 454	(27.262)	364 787	358 151	184 097	35 367	45 450	864	_	-	_	-	
Total liabilities	1 317 078	(27.509)	453 675	416 671	288 484	85 617	76 899	3 793	6 714	1 336	7	(106)	11 497
Net assets (deficit)													
Controlling interest	1 609 340	(35 006)	457 516	559 178	355 506	202 556	37 207	(1.492)	22 856	4 499	295	6 275	(50)
Noncontrolling interests in subsidiaries	12 450	12 450	-	_	_	-	-	=	_	=	_	=	
	1 621 790	(22 556)	457 516	559 178	355 506	202 556	37 207	(1 492)	22 856	4 499	295	6 275	(50)
Total liabilities and net assets	\$ 2,938,868	\$ (50,065)	\$ 911,191	\$ 975,849	\$ 643,990	\$ 288,173	\$ 114,106	\$ 2,301	\$ 29,570	\$ 5,835	\$ 302	\$ 6,169	\$ 11,447

Consolidating Balance Sheet of Northern California Region (In Thousands)

June 30, 2012

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St Joseph Home Health North	Redwood Memorial Foundation	Queen of the Valley Foundation
Assets											
Current assets											
Cash and equivalents	\$ 29 274	\$ - \$	14 937	\$ 909	\$ 2 642	\$		\$ 597	\$ -		\$ 6719
Short-term marketable securities	189 617	_	86 306	87 411	-	142	13 177	_	_	2 091	490
Patient accounts receivable less											
allowance for doubtful accounts	128 041	_	32 615	53 270	9 127	21 978	6 636	3 592	823	-	-
Inventories and other	57 918	_	5 797	22 297	3 598	20 306	4 034	809	69	_	1 008
Total current assets	404 850	-	139 655	163 887	15 367	42 426	27 156	4 998	892	2 252	8 217
Long-term marketable securities	108 900	=	62 187	26 446	75	471	17 446	-	_	-	2 275
Assets limited as to use											
Board designated	6 586	_	_	3 617	1 930	925	-	_	-	-	114
Held in trust	54 716	_	50 503	-	_	_	_	_	-	_	4 213
Total assets limited as to use	61 302	-	50 503	3 617	1 930	925	-	-	-	-	4 327
Property and equipment net	578 097	_	175 234	168 202	16 175	205 123	9 985	2 764	229	227	158
Investments and other	2 872	_	702	145	_	2 025	_	_	_	_	_
Notes receivable	77	_	_	_	77	_	_	_	_	_	_
Deferred financing costs net	5 581	_	1 467	2 101	1 360	628	25	_	-	-	-
Goodwill and other intangibles net	808	_	_	_	_	808	_	_	_	_	_
	9 338	-	2 169	2 246	1 437	3 461	25	-	-	-	_
Total assets	\$ 1,162,487	\$ - \$	429,748	\$ 364,398	\$ 34,984	\$ 252,406	\$ 54,612	\$ 7,762	\$ 1,121	\$ 2,479	\$ 14,977
Liabilities and net assets (deficit)											
Current liabilities											
Accounts payable	\$ 24.858	\$ (2) \$	6 850	\$ 9807	\$ 1 772	\$ 4609	\$ 850	\$ 963	\$ -	\$ -	\$ 9
Accrued compensation and											
related liabilities	55 459	_	17 998	19 447	4 382	10 135	2 562	248	687	_	_
Accrued liabilities	29 076	_	7 452	12 230	2 166	6 443	274	435	43	_	33
Payable to third-party payors	20 395	_	1 329	8 731	(17)	9 435	318	599	_	_	_
Current maturities of long-term debi	3 604	_	1 261	2 181	95	_	67	_	-	-	-
Total current liabilities	133 392	(2)	34 890	52 396	8 398	30 622	4 071	2 245	730	_	42
Other liabilities	1 787	_	_	-	_	366	_	111	-	-	1 310
Notes payable and interest due (from)											
to affiliates	44 282	1	(5.800)	(29.850)	14 572	39 436	(853)	24 253	3 141	3	(621)
Long-term debt less current maturities	337 412	1	153 839	120 394	446	60 789	1 909	_	_	_	34
Total liabilities	516 873	-	182 929	142 940	23 416	131 213	5 127	26 609	3 871	3	765
Net assets (deficit)											
Controlling interest	645 614	_	246 819	221 458	11 568	121 193	49 485	(18.847)	(2.750)	2 476	14 212
Noncontrolling interests in subsidiaries	_	_	_	_	_	_	_	_	_	_	_
-	645 614	_	246 819	221 458	11 568	121 193	49 485	(18 847)	(2.750)	2 476	14 212
Total liabilities and net assets	\$ 1162487	S - S	429 748	\$ 364,398	\$ 34.984	\$ 252,406	\$ 54612	\$ 7.762		\$ 2.479	\$ 14 977

Consolidating Balance Sheet of Texas Region (In Thousands)

June 30, 2012

	Texas Region	Eliminations	Covenant Lubbock		Covenant Plainview	C ovenant LT4C	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	C ovenant Diagnostic Imaging	Hospice of Lubbock	C ovenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Assets															
Current assets															
Cash and equivalents		\$ - 3				\$ 1134	\$ 1 881	\$ -		\$ 666		\$ 1.304 \$		\$ 9863	\$ 4271
Short-term marketable securities	104 601	-	78 225	4 181	15	-	84	-	1 087	-	994	-	20.015	-	-
Patient accounts receivable less															
allowance for doubtful accounts	107 482	-	16	1 953	4 916	3 1		-	2 020	483	715	-	8 725	-	-
Inventories and other	20 1 54	-	13 975	328	318	1	1 447	-	620	189	255	322	1 635	58	830
Total current assets	334 462	-	202 760	10 129	13 630	4 488	11 189	-	4 280	1 338	3 752	1 626	66 248	9 921	5 101
Long-term marketable securities	1 296	_	130 071	-	-	-	_	-	-	-	-	_	37 956	-	9 269
Assets limited as to use															
Board designated	12.371	_	370	39	-	-	-	_	_	-	_	_	-	-	11 962
Held in trust	13 584	_	11 698	_	-	_	_	-	_	_	_	_	-	_	1 886
Total assets limited as to use	25 955	-	12 068	39	-	-	_	-	_	-	-	-	-	-	13 848
Property and equipment, net	258 027	-	233 879	1 744	7 415	1 241	833	-	2 304	234	524	-	18	2 1 2 5	10
Investments and other	20 115	(39.582)	8.857	_	411	-	17 143	434	180	-	118	_	-	32 554	-
Notes receivable	149	-	-	149	-	-	_	-	-	-	_	-	-	-	_
Deferred financing costs net	1 368	_	1 368	_	_	_	_	-	_	_	_	_	-	_	_
Goodwill and other intangibles net	_	_	-	_	-	_	_	-	_	_	_	_	-	-	_
	21 632	(39.582)	10 225	149	411	-	17 143	434	180	_	118	_	-	32 554	_
Total assets	\$ 817372	\$ (39.582) \$	589 003	\$ 12.061	21 456	\$ 5729	\$ 29165	\$ 434	\$ 6764	\$ 1.572	\$ 4394	\$ 1.626 \$	111 922	\$ 44,600	\$ 28,228
Liabilities and net assets (deficit) Current liabilities		_													
Accounts payable		\$ - 5					\$ 303	\$ -	-		\$ 149			\$ -	
Accrued compensation and related liabilities	34 530	_	24 619	629	894	531	4 701	-	161	160	120	835	1 863	_	1-
Accrued habilities	70 695	_	7 951	_	-	109	1 056	-	-	39	-	_	60 463	-9-	280
Payable to third-party payors	9 556	_	8 941	591	24	_	_	-	_	_	-	_	-	_	_
Current maturities of long-term debt	13 070	-	12 930	_	_	-	_	-	_	_	_	_	140	_	_
Total current liabilities	145 978	_	68 748	1 747	2.175	732	6 060	-	328	258	269	838	62 630	-9-	1 396
Other liabilities	29 788	-	12 211	-	-	-	17 143	434	-	-	-	_	-	-	-
Notes payable and interest due (from) to affiliates	(13 948)	-	(116 437)	220	9 893	4*4	56 798	-	203	-	108	(2 946)	-	3-4-3	266
Long-term debt less current maturities	161 130	-	158 910	_	-	-	-	-		_	_	_	2 220	-	_
Total liabilities	322 948	-	123 432	1 967	12 068	1 206	80 001	434	531	258	3	(2 108)	64 850	38 270	1 662
Net assets (deficit)															
Controlling interest	474 125	(59 881)	465 571	10 094	9 388	4 523	(50.836)	-	6 233	1 314	4 017	3 ~34	47 072	6 330	26 566
Noncontrolling interests in subsidiaries	20 299	20 299	-	_	-	-	-	-	_	_	_		-		
	494 424	(39.582)	465 571	10 094	9 388	4 523	(50.836)	_		1 314	4017	3 734	47 072	6.330	26 566
Total liabilities and net assets	\$ 817.372	\$ (39.582) \$	589 003	\$ 12,061	\$ 21 456	\$ 5729	\$ 29165	\$ 434	\$ 6764	\$ 1.572	\$ 4394	\$ 1.626 \$	111 922	\$ 44,600	\$ 28,228

Consolidating Statements of Operations (In Thousands)

For the Year Ended June 30, 2012

Revenues
Patient service net of contractual
allowances and discounts
Provision for doubtful accounts
Net patient service net of provision for
doubtful accounts
Premium
Other
Total revenues
Expenses
Compensation and benefits
Supplies and other
Professional fees and purchased services
Depreciation and amortization
Interest
Total expenses
Operating income (loss)
Nonoperating (losses) gains net
Excess (deficiency) of revenues over expenses
Less Excess of revenues over expenses
attributable to noncontrolling interests
Excess (deficiency) of revenues over expenses

attributable to controlling interests

C onsolidated	Eliminations	Total Regional Entities	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	Innovation Institute	St Joseph Health System Foundation	Obligated Group	Non- Obligated Group
\$ 3 729 930	\$ -	\$ 3 729 930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3 486 124	\$ 243 806
221 400	-	221 400	-	-	-	-	-	-	207 004	14 396
3 508 530	=	3 508 530	=	=	=	=	=	=	3 279 120	229 410
740 468	_	740 468	_	_	_	_	_	_	141 604	598 864
126 967	(29 944)	122 706	9 496	4 646	3 360	4 1 2 4	12.579	=	90 686	36 281
4 3 7 5 9 6 5	(29 944)	4 3 1 7 0 4	9 496	4 646	3 360	4124	12 579	-	3 511 410	864 555
1 965 285	(5.359)	1 955 969	_	_	_	9 316	5 359		1 699 196	266 089
891 888	(9 786)	893 726	3 985	1 762	1 097	309	795	_	795 335	96 553
1 086 164	(8.407)	1 087 553	184	23	32	375	6 404	_	555 102	531 062
189 424	(1 185)	189 589	-	648	336	36	-	_	179 838	9 586
100 914	(6150)	103 781	_	2 431	852	_	_	_	100 653	261
4 233 675	(30.887)	4 230 618	4 169	4 864	2.317	10 036	12 558	_	3 330 124	903 551
142 290	943	141 086	5.32	(218)	1 043	(5 912)	21	-	181 286	(38 996)
(20 560)	(19 523)	(27.743)	=	21 019	-	1	=	5 679	5 903	(26 463)
121 730	(18 580)	113 343	5 327	20 801	1 050	(5 911)	21	5 679	187 189	(65 459)
4 324	523	3 801							_	4 324
\$ 117,406	\$ (19,103)	\$ 109,542	\$ 5,327	\$ 20,801	\$ 1,050	\$ (5,911)	\$ 21	\$ 5,679	\$ 187,189	\$ (69,783)

Consolidating Statements of Operations of Regional Entities (In Thousands)

For the Year Ended June 30, 2012

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	System Office
Revenues	-					
Patient service, net of contractual						
allowances and discounts	\$ 3,729,930	\$ -	\$ 1,970,680	\$ 995.927	\$ 763,323	\$ -
Provision for doubtful accounts	221,400	_	101.996	49,970	69,434	
Net patient service, net of provision for						
doubtful accounts	3,508,530	_	1,868,684	945.957	693,889	_
Premium	740,468	_	382,894	8,050	349,524	_
Other	122,706	(239,084)	46,221	19,166	52,806	243,597
Total revenues	4,371,704	(239,084)	2.297.799	973,173	1,096,219	243,597
Expenses						
Compensation and benefits	1.955.969	(30,774)	977.375	485.512	401,734	122,122
Supplies and other	893,726	(16,371)	486,533	194,688	201.371	27,505
Professional fees and purchased services	1,087,553	(191.939)	573,824	199,151	401.678	104,839
Depreciation and amortization	189,589	_	93,159	47,648	42,705	6,077
Interest	103,781	_	42,268	11,563	9,151	40,799
Total expenses	4,230,618	(239,084)	2,173,159	938,562	1,056,639	301,342
Operating income (loss)	141,086	_	124,640	34.611	39,580	(57,745)
Nonoperating (losses) gains, net	(27.743)	_	(33,301)	3,636	(8,669)	10,591
Excess (deficiency) of revenues over expenses	113,343	_	91,339	38,247	30,911	(47,154)
Less Excess of revenues over expenses						
attributable to noncontrolling interests	3.801	_	2,511	_	1,290	
Excess (deficiency) of revenues over expenses						
attributable to controlling interests	\$ 109.542	\$ -	\$ 88.828	\$ 38.247	\$ 29.621	\$ (47,154)

Consolidating Statements of Operations of Southern California Region (In Thousands)

For the Year Ended June 30, 2012

	Southern			St. Jude		St Mary	Heritage		64 7	Mission	Mission	Mission	St. Joseph Home
	Soutnern California		St Joseph	St. Jude Medical	Mission	Medical	Foundation Southern	St Joseph	St. Joseph Physician	Ambulatory	Viejo Medical	Education Conference	Home Health
	Region	Eliminations	Orange	Center	Hospital	Center	California	Imaging	Ventures	Services	Ventures	Center	South
Revenues													
Patient service net of contractual													
allowances and discounts	\$ 1 970 680	S - S	§ 581 593 \$	8 428 912	\$ 481 308 \$	312 794	\$ 118 616	\$ -	\$ -	\$ 12 054	\$ -	\$ -	\$ 35,403
Provision for doubtful accounts	101 996	_	11 354	26 768	25 966	33 957	2 868	_	_	436	_	_	647
Net patient service net of provision													
for doubtful accounts	1 868 684	-	570 239	402 144	455 342	278 837	115 748	-	-	11 618	-	-	34 756
Premium	382 894	-	56 729	56 298	1 590	19 302	248 975	_	-	_	-	_	_
Other	46 221	(4.560)	11 412	6 212	14 708	4 033	8 394	4 079	301	_	_	1 642	_
Total revenues	2 297 799	(4 560)	638 380	464 654	471 640	302 172	373 117	4 079	301	11 618	-	1 642	34 756
Expenses													
Compensation and benefits	977 375	_	301 220	217 420	212 657	133 435	83 023	1 112	_	3 152	_	_	25 356
Supplies and other	486 533	(6 472)	160 972	93 168	112 210	59 196	55 272	1 902	73	3 485	1	367	6 359
Professional fees and purchased services	573 824	(2.952)	107 916	86 159	77 287	56 890	242 726	508	137	1 289	45	55	3 764
Depreciation and amortization	93 159	(922)	30 757	25 896	21 391	9 094	5 836	324	65	319	_	183	216
Interest	42 268	(993)	14 798	13 026	9 586	1 958	3 808	68	_	_	_	_	17
Total expenses	2 173 159	(11 339)	615 663	435 669	433 131	260 573	390 665	3 914	275	8 245	46	605	35 712
Operating income (loss)	124 640	6 779	22 717	28 985	38 509	41 599	(17.548)	165	26	3 373	(46)	1 037	(956)
Nonoperating (losses) gains net	(33 301)	(27 709)	(8 316)	3 675	(711)	(406)	104	_	=	10	35	1	16
Excess (deficiency) of revenues over expenses	91 339	(20 930)	14 401	32 660	37 798	41 193	(17 444)	165	26	3 383	(11)	1 038	(940)
Less Excess of revenues over expenses													
attributable to noncontrolling interests	2 511	2 511	_	-	-	_		_	_		_	_	
Excess (deficiency) of revenues over expenses													
attributable to controlling interests	\$ 88 828	\$ (23,441) \$	8 14 401 3	\$ 32,660	\$ 37 798 \$	41 193	\$ (17.444)	\$ 165	\$ 26	\$ 3383	\$ (11)	\$ 1 038	\$ (940)

Condensed Consolidating Statements of Operations of Northern California Region (In Thousands)

For the Year Ended June 30, 2012

	Northern California Region	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley	St. Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St Joseph Home Health North	Redwood Memorial Foundation	Queen of the Valley Foundation
Revenues											
Patient service net of contractual											
allowances and discounts	\$ 995.92	7 \$ (655)	\$ 240 626	\$ 378 036	\$ 87 763	\$ 206 119 \$	\$ 50.821	\$ 23 050	\$ 10 167	\$ -	\$ -
Provision for doubtful accounts	49 97) _	10 590	18 936	6 345	9 340	3 742	539	478	_	
Net patient service net of provision for doubtful accounts	945 95	7 (655)	230 036	359 100	81 418	196 779	47 079	22 511	9 689	-	-
Premium	8 050) =	7 686	=	=	_	-	364	_	-	=
()ther	19 16	5 (1.739)	5 889	6 982	1 538	1 626	742	4 128	_	_	_
Total revenues	973 17.	3 (2.394)	243 611	366 082	82 956	198 405	47 821	27 003	9 689		-
Expenses											
Compensation and benefits	485 513	_	137 304	173 683	47 789	86 232	22 079	9 355	9 o 7 o	_	_
Supplies and other	194 68	3 -	51 827	70 528	14 687	45 494	5 576	5 133	1 443	_	_
Professional fees and purchased services	199 15	1 (1.718)	41 420	59 683	17 750	43 247	10 165	27 188	1 416	_	_
Depreciation and amortization	47 64		16 359	18 094	3 651	7 405	1 533	545	61	_	-
Interest	11 56.	-	4 024	6 288	43	1 041	92	=	75	_	=
Total expenses	938 56	2 (1.718)	250 934	328 276	83 920	183 419	39 445	42 221	12 065	_	_
Operating income (loss)	34 61	1 (676)	(7 323)	37 806	(964)	14 986	8 376	(15.218)	(2 376)	-	_
Nonoperating gains (losses) net	3 636	676	375	2 933	41	(800)	39	2	16	70	284
Excess (deficiency) of revenues over expenses											
attributable to controlling interests	\$ 38.24	7 \$ _	\$ (6.948)	\$ 40 739	\$ (923)	\$ 14186 \$	8 415	\$ (15.216)	\$ (2.360)	\$ 70	\$ 284

Consolidating Statements of Operations of Texas Region (In Thousands)

For the Year Ended June 30, 2012

	Texas Region	Eliminations	Covenant Lubbock	C ovenant Levelland	C ovenant Plainview	Covenant LTAC	Covenant Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	C ovenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Revenues														
Patient service net of contractual														
allowances and discounts	\$ 763,323	\$ (68 123)		\$ 21.850 \$				-	\$ 6787	\$ 6213	5 - 5	-	\$ -	\$ -
Provision for doubtful accounts	69 434	_	52 508	2 1 7 9	4 842	426	8 566	294	519	100	_	_	_	_
Net patient service the net of provision for doubtful accounts	693 889	(68 123)	600 625	19671	28 81 5	16 454	T1 T93	12 273	6 268	6 113	-	_	-	-
Premium	349 524	(1.800)	_	_	_	_	-	_	-	_	_	351 324	-	_
Other	52 806	(16 234)	28 184	968	3 879	_	22 929	_	56	255	1 721	11 048	_	_
Total revenues	1 096 219	(86 157)	628 809	20 639	32 694	16 454	94 722	12 273	6 324	6 368	1 721	362 372	-	_
Expenses														
Compensation and benefits	401 734	(1.800)	240 543	11 395	15 021	9 003	92 967	3 751	2 143	2 842	689	25 180	_	-
Supplies and other	201.371	(4 692)	157 924	3 624	7 553	5 193	15.475	3 6 4	957	1 265	71	9 597	730	-
Professional fees and purchased services	401.678	(85 088)	129 087	4.879	⁻ 691	3 791	11 089	1 623	648	1 894	1 268	324 796	-	=
Depreciation and amortization	42,705	-	38 027	539	953	306	40~	507	102	52	-	1 ~40	-2	-
Interest	9 151	=	8 923	_	=	102	=	-	-	=	-	126	-	
Total expenses	1 056 639	(91.580)	574 504	20.437	31 218	18 395	119 938	9 555	3 850	6 053	2 028	361 439	802	-
Operating income (loss)	39 580	5 423	54 305	202	1 476	(1 941)	(25 216)	2 718	2 474	315	(307)	933	(802)	_
Nonoperating (losses) gains net	(8 669)	(6 601)	(1 030)	184	42	8	9	433	1	2	6	(2.151)	162	266
Excess (deficiency) of revenues over expenses	30 911	(1.178)	53 275	386	1 518	(1 933)	(25/207)	3 151	2.475	317	(301)	(1.218)	(640)	266
Less Excess of revenues over expenses														
attributable to noncontrolling interests	1 290	1 290	_	_	_	_	_	_	_	_			_	
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 29 621	\$ (2.468)	\$ 53.275	\$ 386 5	\$ 1518 \$	(1 933) \$	(25 207)	\$ 3151	\$ 2.475	\$ 31-	\$ (301) \$	(1 218)	\$ (640)	\$ <u>266</u>

Consolidating Balance Sheet (In Thousands)

June 30, 2011

Assets
Current assets
Cash and equivalents
Short-term marketable securities
Patient accounts receivable less
allow ance for doubtful accounts
Inventories and other
Total current assets
Long-term marketable securities
Assets limited as to use
Board designated
Held in trust
Total assets limited as to use
Property and equipment net
Investments and other
Collateral held for swap counterparty
Notes receivable
Deterred financing costs net
Goodwill and other intangibles net
Total assets
Liabilities and net assets (deficit)
Current habilities
Accounts payable
Accrued compensation and related liabilities
Accrued habilities
Payable to third-party payors
Current maturities of long-term debt
Total current liabilities
Interest rate swaps
Other liabilities
Notes payable and interest due (from)
to affiliates
Long-term debt less current maturities
Total liabilities
Net assets (deficit)

Controlling interest

Total liabilities and net assets

Noncontrolling interests in subsidiaries

T15 530		nsolidated	Eliminations	Total Regional Entities	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue C ycle Services	St Joseph Health System Foundation	Obligated Group	Non-Obligated Group
138 e90	\$		\$ (4.453)		\$ 4 043 -	\$ 20	\$ 2 035 -	\$ 2 384 -			\$ 74.852 93.558
1500 214			-		-	_	-	-	-		4 ⁻ 442
174 329	_		- 1 152						50.10.1		17 033 232 885
05 118					· ·	2 081	2001		-		111 100
239.447			-		-	_	-	-	2~ 48o		38 201 1 836
2 241 31	_		_		-	_	_	_	27 480		40.037
of 100 (16 834) 00 00 430 0 030 0 802 - 40 70 201 (10 330) 10 330 - 10 330 - - - - - 10 330 20 357 - 20 357 - - - - - 20 357 42 818 (5 525) 48 343 - - - - - - 10 000 2 140 0° (22 350) 151 128 430 0 930 0 892 - - 40 128 410 1 \$ 5027 433 (300) \$ 4874 443 \$ 0 7230 \$ 24 922 \$ 21 933 \$ 2 502 \$ 80 720 \$ 458 410 \$ 40 \$ 127 508 \$ (195) \$ 120 003 \$ 707 \$ 45 1 \$ - \$ 287 \$ 111075 \$ 1 \$ 27 505 - - 25 594 - - - - - - - - - - - - -		2 241 317	(23.494)		_	12 905	12 040	02	_		07.355
5 393 - 5 393 -					430				40		(0.002)
20 357		10 339	_	10 339	_	=	_	_	=	10 339	_
42 818		5 303	_	5 303	=	=	_	=	=	5 303	_
140 0 76		20 357	_	20 357	-	_	-	-	-	20 357	-
\$ 127 508 \$ (195) \$ 120 603 \$ 707 \$ 45 \$ 1 \$ - \$ 287 \$ 111 075 \$ 1 257 055 - 257 504 301 - 237 070 2 2 200 027 (1441) 208 421 19 787 95 2165 148 152 8 70 110 - 50 084 - 1333 50 084 - 1333 50 084 - 150 080 13 173 144 064 170 250 - 160 080 13 173 147 810 3 1 127 250 147 810 3 1 127 250 (147 25) 100 080 13 173 147 810 3 1 127 250 (147 25) 100 080 (10 085) 2 58 721 33 470 (9 042) 0 081 1 048 91 213 2 532 200 10 2 72 557 1 (7 058) 2 00 440 33 470 (9 042) 0 081 1 048 91 213 2 532 200 10		42 818	(5.525)	48 343	-	_	-	-	-	10 000	26 752
\$ 127 508 \$ (195) \$ 120 603 \$ 707 \$ 45 \$ 1 \$ - \$ 287 \$ 111 075 \$ 1 257 085 \$ - 257 504 \$ 301 \$ - 237 070 \$ 2 229 027 \$ (1441) 208 421 \$ 19 787 \$ 95 \$ 2165 \$ 148 152 \$ 8 70 110 \$ - 70 110 \$ 73 020 \$ 140 10 \$		140 070	(22,359)	151 128	130	0 030	o 8º2	-	40	128 410	1-000
257 055 - 257 504 - - - 301 - 237 070 2 229 027 (1441) 208 421 10 787 05 2 165 - - 148 152 8 70 110 - 70 110 - - - - - - 73 020 - - - - - 73 020 -	\$	5,027,453	\$ (50,306)	\$ 4,874,443	\$ 07,239	\$ 24,922	\$ 21,933	\$ 2,502	\$ 80,720	\$ 4,558,410	\$ 400,043
229 027 (1 441) 208 421 10 787 05 2 165 - - - 148 152 8 70 110 - 70 110 - - - - - - 73 020 52 017 - 50 684 - 1 333 - - - 50 544 742 020 (1 630) 71 481 20 494 1 473 2 160 361 287 621 661 12 44 964 - 44 964 - - - - - 44 964 170 250 - 160 080 13 173 - - - - 147 819 3 - - (4 256) (5 225) 102 (20) 13 080 493 (4 780) (105 834) 10 1 334 843 (37 350) 1 330 688 - 32 511 - - - 1 317 540 1 2 090 000 (43 248) 2 204 904 33 700 33 904 1	\$	127 508	\$ (105)	\$ 120 003	\$ ~0~	\$ 45	\$ 1	\$ -	\$ 28 ⁻	\$ 111 0-5	\$ 15.533
To 110 - To 110 - - - - - 73 920 52 017 - 50 084 - 1 333 - - - 50 544 742 020 (1 030) 719 481 20 494 1 473 2 100 301 287 021 001 12 44 904 - 44 904 - - - - - 44 904 179 259 - 100 080 13 173 - - - - 147 819 3 - - (4 250) (5 225) 102 (20) 13 080 493 (4 780) (105 834) 10 1 334 843 (37 350) 1 339 088 - 32 511 - - - 1 317 540 1 2 301 092 (43 248) 2 204 994 33 700 33 904 15 852 854 (4 493) 2 020 150 27 2 090 000 (10 085) 2 582 721 33 470 (9 042) 0 081		257 055	-	25" 504	-	-	-	301	-	23 0 0 0	20 885
52 017 - 50 684 - 1 333 - - - 50 544 742 026 (1 030) 710 481 20 404 1 473 2 100 301 287 021 001 12 44 904 - 44 904 - - - - - 44 904 170 250 - 100 080 13 173 - - - - 147 819 3 - (4 250) (5 225) 102 (20) 13 080 493 (4 780) (105 834) 10 1 334 843 (37 350) 1 330 688 - 32 511 - - - 1 317 540 1 2 301 092 (43 248) 2 204 904 33 760 33 904 15 852 854 (4 403) 2 020 150 27 2 090 000 (10 085) 2 582 721 33 470 (9 042) 0 081 1 648 91 213 2 532 200 10 2 0 755 3 027 2 0 728 - -		229 027	(1.441)	208 421	10 -8-	95	2 105	-	-	148 152	80 875
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- (4 250) (5 225) 102 (20) 13 080 493 (4 780) (105 834) 10 1 334 843 (37 350) 1 330 088 - 32 511 131 7 40 1 2 301 092 (43 248) 2 204 994 33 709 33 904 15 852 854 (4 493) 2 020 150 27 2 090 000 (10 085) 2 582 721 33 470 (9 042) 0 081 1 048 91 213 2 532 200 10 2 9 755 3 027 20 728 2 2 725 701 (7 058) 2 09 449 33 470 (9 042) 0 081 1 048 91 213 2 532 200 19					-		-	-	-		-
1 334 843 (37 350) 1 339 688 - 32 511 - - - 1 317 540 1 2 301 692 (43 248) 2 204 694 33 769 33 604 15 852 854 (4 493) 2 020 150 27 2 696 006 (10 085) 2 582 721 33 470 (9 042) 6081 1 648 91 213 2 532 260 16 2 69 755 3 027 26 728 - <td< td=""><td></td><td>1-0 250</td><td>=</td><td>100 080</td><td>13 173</td><td>=</td><td>=</td><td>=</td><td>=</td><td>14_810</td><td>31 440</td></td<>		1-0 250	=	100 080	13 173	=	=	=	=	14_810	31 440
2 301 0°2 (43 248) 2 204 0°4 33 70° 33 °04 15 852 854 (4 4°3) 2 020 150 27 2 0°0 000 (10 085) 2 582 721 33 470 (°0 042) 0 081 1 048 0°1 213 2 532 200 10 2 0°155 3 027 20 728 2 2 725 701 (7 058) 2 0°0 44° 33 470 (°0 042) 0 081 1 048 0°1 213 2 532 200 10°		-	(4 250)	(5.225)	102	(20)	13 080	403	(4 780)	(105 834)	105 834
2 0 0 0 000 (10 085) 2 582 721 33 470 (0 042) 0 081 1 0 48 01 213 2 532 200 10 20 755 3 027 20 728 2 2 725 701 (7 058) 2 0 0 440 33 470 (0 042) 0 081 1 0 48 01 213 2 532 200 10					_		_	_	_		17 303
29 755 3 027 20 728 - - - - - - - 2 52 725 761 - </td <td></td> <td>2 301 002</td> <td>(43 248)</td> <td>2 204 004</td> <td>33 -00</td> <td>33 004</td> <td>15 852</td> <td>854</td> <td>(4 493)</td> <td>2 020 150</td> <td>275 542</td>		2 301 002	(43 248)	2 204 004	33 -00	33 004	15 852	854	(4 493)	2 020 150	275 542
2 725 701 (7 058) 2 000 440 33 470 (9 042) 0 081 1 048 91 213 2 532 200 19											103 ⁻ 40 20 ⁻ 55
	_										193 501
	5	5 027 453	\$ (50,300)						\$ 80 720		\$ 400 043

Consolidating Balance Sheet of Regional Entities (In Thousands)

June 30, 2011

	To	tal Regional	S	outhern California I			
		Entities	Eliminations	Region	Region	Texas Region	System Office
Assets	·						
Current assets							
Cash and equivalents	\$	240 767	§ (9.960) §	79 834	\$ 30 405	\$ 103.853	\$ 36 635
Short-term marketable securities		660 196	_	322 189	181 104	72 835	84 068
Patient accounts receivable less allowance for doubtful accounts		455 273	_	220 275	126 798	108 200	-
Inventories and other		137 494	_	49 292	24 008	24 427	39 767
Total current assets		1 493 730	(9.960)	671 590	362 315	309 315	160 470
Long-term marketable securities		778 756	=	447 895	81 221	153 934	95 706
Assets limited as to use							
Board designated		146 843	2 365	127 367	5 985	11 126	=.
Held in trust		65 118	-	2 938	=.	13 629	48 551
Total assets limited as to use		211 961	2 365	130 305	5 985	24 755	48 551
Property and equipment net		2 238 868	-	1 358 387	510 082	272 649	97 750
Investments and other		66 696	-	25 384	2 296	19 135	19 881
Collateral held for swap counterparty		10 339	-	-	=.	-	10 339
Notes receivable		5 393	-	4 530	801	62	=.
Deferred financing costs net		20.357	-	12 589	5 350	1 973	445
Goodwill and other intangibles net		48 343	_	46 996	1 347	-	<u></u>
		151 128	_	89 499	9 794	21 170	30 665
Total assets	\$	4,874,443	§ (7,595) §	2,697,676	\$ 969,397	\$ 781,823	\$ 433,142
Liabilities and net assets							
Current liabilities							
Accounts payable	\$	126 663	§ (5) §	77 733	\$ 23 217	\$ 17.067	\$ 8 651
Accrued compensation and related liabilities		257 594	_	113 718	56 677	33 574	53 625
Accrued liabilities		208 421	_	61 617	16 157	52 492	78 155
Payable to third-party payors		76 119	_	39 019	35 468	1 632	_
Current maturities of long-term debt		50 684	(28 817)	13 800	3 162	12 416	50 123
Total current liabilities		719 481	(28 822)	305 887	134 681	117 181	190 554
Interest rate swaps		44 964	=	=	=	=	44 964
Other liabilities		166 086	=	13 429	362	33 501	118 794
Notes payable and interest due (from) to affiliates		(5.225)	1 183 580	23 503	3 830	(13.287)	(1.202.851)
Long-term debt-less current maturities		1 339 688	(1 164 718)	843 378	240 358	175 260	1 245 410
Total liabilities		2 264 994	(9.960)	1 186 197	379 231	312 655	396 871
Net assets							
Controlling interest		2 582 721	2 365	1 506 642	590 166	447 277	36 271
Noncontrolling interests in subsidiaries		26 728	_	4 837	_	21 891	_
		2 609 449	2 365	1 511 479	590 166	469 168	36 271
Total liabilities and net assets	\$	4,874,443	§ (7,595) §	S 2,697,676	\$ 969,397	\$ 781,823	\$ 433,142

Consolidating Balance Sheet of Southern California Region (In Thousands)

June 30, 2011

	Southern California Region	Eliminations	St Joseph Orange	St Jude Medical Center	Mission Hospital	St. Mary Medical Center	Heritage Foundation Southern California	St. Joseph Imaging	Mission Ambulatory Services	Mission Viejo Medical Ventures	Mission Education Conference Center	St Joseph Home Health South
Assets												
Current assets												
Cash and equivalents	\$ 79 834	\$ - 5	8 18 055 \$	12 073 - \$	5 853 \$	26 146	\$ 14 442	\$ 33	\$ 2 546	\$ 258	\$ 428	\$ -
Short-term marketable securities	322 189	_	100 379	81 558	93 093	33 384	13 775	_	_	_	_	_
Patient accounts receivable less												
allowance for doubtful accounts	220 275	_	52 417	44 129	63 396	38 894	13 324	_	2 036	_	-	6 079
Inventories and other	49 292	_	15 584	5.230	11 203	8 042	8 401	141	485	_	30	176
Total current assets	671 590	_	186 435	142 990	173 545	106 466	49 942	174	5 067	258	458	6 255
Long-term marketable securities	447 895	_	173 738	225 484	_	48 673	_	_	_	_	-	_
Assets limited as to use												
Board designated	127 367	_	53 050	16 988	56 698	631	_	_	_	_	_	_
Held in trust	2 938	_	2 938	_	_	_	_	_	_	_	_	_
Total assets limited as to use	130 305	_	55 988	16 988	56 698	631	-	_	-	_	=	_
Property and equipment net	1 358 387	(28 132)	475 592	411 725	319 963	102 652	66 519	1 615	836	_	6 144	1 473
Investments and other	25 384	(18 071)	1.825	6 940	29 833	3 412	635	758	_	52	_	_
Notes receivable	4 530	_	4 530	_	_	_	_	_	_	_	_	_
Deferred financing costs net	12 589	_	5.250	3 886	2 984	469	_	_	_	_	_	_
Goodwill and other intangibles net	4 6 996	32 277	_	1 002	13 717	_	_	_	_	_	_	_
<u> </u>	89 499	14 206	11 605	11 828	46 534	3 881	635	758	_	52	-	_
Total assets	\$ 2,697,676	\$ (13,926)	903,358 \$	809,015	596,740 \$	262,303	\$ 117,096	\$ 2,547	\$ 5,903	\$ 310	\$ 6,602	\$ 7,728
Liabilities and net assets (deficit)												
Current liabilities												
Accounts payable	\$ 77 733	\$ - 5	31 033 \$	11 842 8	S 12 219 \$	10 529	\$ 9712	\$ 603	\$ 1.551	\$ -	\$ -	\$ 244
Accrued compensation and related liabilities	113 718	_	34 728	26 157	26 080	16 246	8 526	_	303	_	_	1 678
Accrued habilities	61 617	_	23 808	1 813	11 861	6 038	17 293	_	168	_	108	528
Pavable to third-party pavors	39 019	_	5 102	9 125	3 976	18 801	2 015	_	_	_	-	_
Current maturities of long-term deb	13 800	(192)	5 676	4 963	2 746	415	192	_	_	_	_	_
Total current liabilities	305 887	(192)	100 347	53 900	56 882	52 029	37 738	603	2 022	_	108	2 450
Other liabilities	13 429	_	3 663	4 272	3 519	3	411	1 517	_	_	_	44
Notes payable and interest due (from)												
to affiliates	23 503	_	(19.439)	(17.461)	30 884	15 187	9 049	900	134	4	(99)	4 344
Long-term debt less current maturities	843 378	(27.700)	369 922	231 064	187 135	36 319	45 454	1 184	_	_	_	_
Total liabilities	1 186 197	(27 892)	454 493	271 775	278 420	103 538	92 652	4 204	2 156	4	9	6 838
Net assets (deficit)												
Controlling interest	1 506 642	9 129	448 865	537 240	318 320	158 765	24 444	(1.657)	3 747	306	6 593	890
Noncontrolling interests in subsidiarie	4 837	4 837	_	_	_	_		_	_	_	_	_
	1 511 479	13 966	448 865	537 240	318 320	158 765	24 444	(1 657)	3 747	306	6 593	890
Total liabilities and net assets		\$ (13,926)		809,015		262,303		\$ 2,547	\$ 5,903	\$ 310		

Consolidating Balance Sheet of Northern Region (In Thousands)

June 30, 2011

	C	Jorthern alıfornıa Region	Eliminat		ueen of the Valley	Santa Rosa Memorial		aluma alley	St Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St Joseph Home Health North	Redwood Memorial Foundation
Assets					•								
Current assets													
Cash and equivalents	\$	30 405	\$	- \$	2 606	\$ 21 429	\$	1 661 - 5			\$ 2 726	\$ -	\$ 52
Short-term marketable securities		181 104		-	83 157	80 266		-	2 3 5 8	13 304	-	-	2 019
Patient accounts receivable less													
allowance for doubtful accounts		126 798		-	37 522	4 6 9 7 6		10 534	22 378	5 248	2 9 1 4	1 226	_
Inventories and other		24 008		-	8 855	5 041		1 041	7 101	1 278	610	82	_
Total current assets		362 315		-	132 140	153 712		13 236	31 837	21 761	6 250	1 308	2 071
Long-term marketable securities		81 221		-	52 794	10 227		-	479	17 721	-	_	_
Assets limited as to use													
Board designated		5 985		-	-	2 605		2 248	1 132	_	_	_	_
Held in trust		_		-	-						_		
Total assets limited as to use		5 985		-	-	2 605		2 248	1 132	-	-	-	-
Property and equipment net		510 082		-	146 454	171 947		15 243	164 303	9 868	1 825	215	227
Investments and other		2 296		_	571	149		-	1 576	_	_	_	_
Notes receivable		801		_	- 829	496 2 184		305	- 651	-	_	_	_
Deferred financing costs net Goodwill and other intangibles net		5 350 1 347		_				1 660	1 347	26	_	_	_
Croodwiii and other intangibles net		9 794		-	1 400	2 829		1 965	3 574				
Total assets		969 397	\$	- S	332 788			32 692 8					\$ 2 298
	- 47	202,521	47	47	DD D TON	4 211,22°	ų,	55,075	201,000	12,570	47 (1,17)	4' I L was	4' 5,534
Liabilities and net assets (deficit)													
Current liabilities	S	23 217	4P	(1) \$	6 415	\$ 9 781	40	1 584 - 8	\$ 4017	\$ 688	\$ 652	\$ 81	r.
Accounts payable Accrued compensation and related liabilities	3	56 677	2	-	17 296	21 497	2	5 354	9 490	2 147	270	623	p –
Accrued habilities		16 157		_	981	11 162		1 984	1 535	438	(5)	62	_
Payable to third-party payors		35 468		_	5 689	12 930		1 585	11 795	3 275	183	11	_
Current maturities of long-term debt		3 162			751	1 473		901	11 725	37	105	- 11	_
Total current liabilities	_	134 681		(1)	31 132	56 843		11 408	26 837	6 585	1 100	777	
Other habilities		362		_	51 152			-	353	-	4		_
Notes payable and interest due (from) to affiliates		3 830		1	(4905)	(20 040		8 008	5 475	(807)		1 195	2
Long-term debt less current maturities		240 358		_	54 437	122 641	,	546	60 756	1 978	-	- 1135	_
Total liabilities	_	379 231		_	80 669	159 444		19 962	93 421	7 756	16 005	1 972	2
Net assets (deficit)		5,7, 25,1						.,,,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, ,,,,		. , , 2	_
Controlling interest		590 166		_	252 119	181 876		12 730	107 904	41 620	(7 930)	(449)	2 296
Noncontrolling interests in subsidiaries		_		_	_	_		_	_	_	_	_	
<u> </u>		590 166		_	252 119	181 876		12 730	107 904	41 620	(7.930)	(449)	2 296
Total liabilities and net assets	\$	969,397	\$	- \$	332,788	\$ 341,320	\$	32,692	\$ 201,325		\$ 8,075	\$ 1,523	\$ 2,298

Consolidating Balance Sheet of Texas Region

(In Thousands)

June 30, 2011

Т	exas Region	Eliminations	C ovenant Lubbock	C ovenant Levelland	C ovenant Plainview	C ovenant LT 4C	C ovenant Medical Group	Methodist Medical Group	C ovenant Surgicenter	C ovenant Diagnostic Imaging	Hospice of Lubbock	C ovenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Assets															
Current assets															
Cash and equivalents 5	103 853	\$ -	\$ 41 572	\$ 7 104	\$ 10.754	\$ 4836	\$ 2.409	\$ -	\$ 2 229	\$ 627	\$ 3.175	\$ 3 269	\$ 15.730	\$ 8 433	\$ 3.715
Short-term marketable securities	72 835	_	50 390	-	15	-	82	-	-	_	-	-	22 348	_	-
Patient accounts receivable less															
allowance for doubtful accounts	108 200	-	79 356	1 660	4 095	3 113	10 781	-	1 650	488	611	-	6 446	_	_
Inventories and other	24 427	_	17 658	354	430	177	2 531	-	708	175	162	388	1 227	58	559
Total current assets	309 315	_	188 976	9 118	15 294	8 126	15 803	-	4 587	1 290	3 948	3 657	45 751	8 491	4 274
Long-term marketable securities	153 934	_	104 472	_	-	_	_	-	-	_	-	-	40 406	-	9 ()56
Assets limited as to use															
Board designated	11 126	_	372	38	_	_	_	-	-	_	-	-	_	_	10 716
Held in trust	13 629	_	11 793	_	_	_	_	_	_	_	_	_	_	_	1 836
Total assets limited as to use	24 755	_	12 165	38	_	_	_	_	_	_	_	_	_	_	12 552
Property and equipment net	272 649	=	251 598	1 938	4714	1 323	1 240	_	2 600	298	13	_	6714	2 200	11
Investments and other	19 135	(43.308)	11 241	_	833	_	15 858	432	43	_	118	_	_	33 918	_
Notes receivable	62	_	_	62	_	_	_	_	_	_	_	_	_	_	_
Deterred financing costs net	1 973	_	1 9 7 3	_	_	_	_	_	_	_	_	_	_	_	_
Goodwill and other intangibles net• accumul	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
_	21 170	(43.308)	13 214	62	833	_	15 858	432	-43	-	118	_	_	33 918	_
Total assets	781,823	\$ (43,308)			\$ 20,841	\$ 9,449	\$ 32,901	\$ 432	\$ 7,230	\$ 1,588	\$ 4,079	\$ 3,657	\$ 92,871	\$ 44,609	\$ 25,893
Liabilities and net assets (deficit)															
Current habilities															
Accounts payable \$	17 067	\$ -	\$ 13.753	\$ 310	\$ 1076	\$ 145	\$ 153	\$ -	\$ 326	\$ 45	\$ 165	\$ -	\$ 205	\$ -	\$ 889
Accrued compensation and															
related liabilities	33 574	=-	22 992	52	783	53.5	7 252	-	228	178	163	-	1 362	-	29
Accrued liabilities	52 492	-	9 599	716	-	128	1 105	-	-	36	-	969	39 598	179	162
Payable to third-party payors	1 632	_	1 792	(106)	(54)	_	_	-	_	_	-	_	_	_	_
Current maturities of long-term debt	12 416	_	12 276	_	_	_	_	-	-	_	_	_	140	_	_
Total current habilities	117 181	_	60 412	972	1 805	808	8 5 1 0	_	554	259	328	969	41 305	179	1 080
Other Irabilities	33 501	_	17 211	_	-	_	15 858	432	-	_	-	-	-	-	_
Notes payable and interest due (from)															
to affiliates	(13.287)	_	(96 358)	529	11 169	344	34 164	-	180	_	78	(1.348)) –	37 459	496
Long-term debt less current maturities	175 260	_	172 051	_	_	_	_	_	_	_	_	_	3 209	_	_
Total liabilities	312 655	=	153 316	1 501	12 974	1 152	58 532	432	734	259	406	(379)) 44.514	37 638	1 576
Net assets (deficit)															
Controlling interest	447 277	(65 199)	417 109	9 655	7 867	8 297	(25 631)	_	6 496	1 329	3 673	4 036	48 357	6 9 7 1	24 317
Noncontrolling interests in subsidiaries	21 891	21 891	_	_	_	_	_	_	_	_	_	_	_	_	_
_	469 168	(43.308)	417 109	9 655	7 867	8 297	(25 631)		C 10C	1 329	3 673	4 036	48 357	6 9 7 1	24 317
	407 100	(45.500)	41/109	9011	/ 60 /	8 297	(25 631)	-	6 496	1.329	30/3	4 0.50	40.51/	09/1	24 217

Consolidating Statements of Operations (In Thousands)

For the Year Ended June 30, 2011

	Con	solidated	Eliminations	То	tal Regional Entities	American Unity Group	Professional Services Enterprises	Heritage Investment Group I	Revenue Cycle Services	St. Joseph Health System Foundation	Obligated Group	Non-Obligated Group
Revenues												
Patient service net of contractual												
allowances and discounts	\$	3 659 620	\$ -	\$	3 659 620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3 416 365	\$ 243 255
Provision for doubtful accounts		196 250	_		196 250	_	_	_	_	_	175 296	20 954
Net patient service net of provision for		3 463 370	-		3 463 370	-	-	-	-	-	3 241 069	222 301
doubtful accounts												
Premium		654 376	=		654 376	=	=	-	=	=	133 743	520 633
Other		105 309	(16 119)	99 833	15 953	1 775	354	3 513	_	69 652	35 657
Total revenues		4 223 055	(16 119)	4 217 579	15 953	1 775	354	3 513	-	3 444 464	778 591
Expenses												
Compensation and benefits		1 901 420	-		1 898 544	-		-	2 876	-	1 654 457	246 963
Supplies and other		917 107	(15.189)	923 883	5 835	516	1 724	338	-	838 851	78 256
Professional fees and purchased services		966 327	(1 662)	967 556	108	3	54	268	_	503-560	462 767
Depreciation and amortization		186 761	(176)	186 640	_	238	28	31	_	176 701	10 060
Interest		59 988	(803)	60 394	-	264	133	-	-	59 638	350
Total expenses		4 031 603	(17 830)	4 037 017	5 943	1 021	1 939	3 513	-	3 233 207	798 396
Operating income (loss)		191 452	1 711		180 562	10 010	754	(1.585)	-	-	211 257	(19 805)
Nonoperating gains (losses) net		171 794	(21 655)	178 558	_	(810)	7	6	15 688	179 874	(8 080)
Excess (deficiency) of revenues over expenses		363 246	(19 944)	359 120	10 010	(56)	(1.578)	6	15 688	391 131	(27 885)
Less Excess (deficiency) of revenues over expenses												
attributable to noncontrolling interests		6 444	(787)	7 231	_	_	_	_	_	_	6 444
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$	356 802	\$ (19 157) \$	351 889	\$ 10.010	\$ (56)	\$ (1.578)) \$ 6	\$ 15 688	\$ 391 131	\$ (34,329)

Consolidating Statements of Operations of Regional Entities (In Thousands)

For the Year Ended June 30, 2011

	Total Regional			thern California	Northern California			
		Entities	Eliminations	Region	Region	Texas Region	System Office	
Revenues								
Patient service net of contractual								
allowances and discounts	\$	3 659 620 \$	- \$	1 951 607	\$ 942 752	\$ 765 261 .8	-	
Provision for doubtful accounts		196 250	-	80 958	28 822	86 470	_	
Net patient service net of provision for		3 463 370	-	1 870 649	913 930	678 791	_	
doubtful accounts								
Premium		654 376	-	359 101	8 646	286 629	-	
Other		99 833	(210 729)	41 527	8 723	46 841	213 471	
Total revenues		4 217 579	(210 729)	2 271 277	931 299	1 012 261	213 471	
Expenses								
Compensation and benefits		1 898 544	(39 474)	963 932	469 664	384 087	120 335	
Supplies and other		923 883	(16 197)	510 362	209 257	196 706	23 755	
Professional fees and purchased services		967 556	(155 058)	547 665	174 261	337 072	63 616	
Depreciation and amortization		186 640	-	90 062	44 531	46 720	5 327	
Interest		60 394	-	48 957	11 480	11 710	(11 753)	
Total expenses		4 037 017	(210 729)	2 160 978	909 193	976 295	201-280	
Operating income		180 562	-	110 299	22 106	35 966	12 191	
Nonoperating gains net		178 558	2 365	106 634	31 451	20 063	18 045	
Excess of revenues over expenses		359 120	2 365	216 933	53 557	56 029	30 236	
Less Excess of revenues over expenses								
attributable to noncontrolling interests		7 231		2 595		4 636	_	
Excess of revenues over expenses								
attributable to controlling interests	\$	351 889 \$	2 365 \$	214 338	\$ 53 557	\$ 51 393 \$	30 236	

Consolidating Statements of Operations of Southern California Region (In Thousands)

For the Year Ended June 30, 2011

	Southern California Region	Eliminations	St Joseph Orange	St Jude Medical Center	Mission Hospital	St Mary Medical Center	Heritage Foundation Southern California	St. Joseph Imaging	Mission Ambulatory Services	Mission Viejo Medical Ventures	Camino Health Center	Mission Education Conference Center	St Joseph Home Health South
Revenues													
Patient service net of contractual													
allowances and discounts	\$ 1.951.607	\$ - 3	\$ 594 080 \$	441 652	\$ 474 468	\$ 277 243	\$ 113 211	\$ -	\$ 12 713	\$ -	\$ 372	\$ -	\$ 37 868
Provision for doubtful accounts	80 958	_	13 123	31 414	20/209	9 793	1 643	_	345	_	43	_	4 388
Net patient service net of provision for doubtful accounts	1 870 649	-	580 957	410 238	454 259	267 450	111 568	-	12 368	_	329	_	33 480
Premium	359 101	_	50 837	56 662	_	17 775	233 791	_	-	-	36	_	_
Other	41 527	(4 075)	10 226	5 221	12 910	1 581	9 197	3 690	7	_	939	1 603	228
Total revenues	2 271 277	(4 075)	642 020	472 121	467 169	286 806	354 556	3 690	12 375	-	1 304	1 603	33 708
Expenses													
Compensation and benefits	963 932	-	294 133	219 771	208 458	133 128	77 493	1 272	3 215	-	1 555	_	24 907
Supplies and other	510 362	(2.347)	180 280	101 195	116 300	57 627	43 295	2 178	3 640	3	410	338	7 443
Professional fees and purchased services	547 665	(2.551)	96 854	77 900	78 223	48 238	243 556	291	1 348	30	236	53	3 487
Depreciation and amortization	90 062	-	29 581	25 085	21 092	8 118	5 147	320	326	-	47	183	163
Interest	48 957	(998)	18 912	14 957	11 976	2 492	1 513	87	-	-	-	-	18
Total expenses	2 160 978	(5.896)	619 760	438 908	436 049	249 603	371 004	4 148	8 529	33	2 248	574	36 018
Operating income (loss)	110 299	1 821	22 260	33 213	31 120	37 203	(16 448)	(458)	3 846	(33) (944)	1 029	(2.310)
Nonoperating gains (losses) net	106 634	(1.522)	33 336	51 412	12 042	9 315	1 076	=	10	40	902	1	22
Excess (deficiency) of revenues over expenses	216 933	299	55 596	84 625	43 162	46 518	(15.372)	(458)	3 856	7	(42)	1 030	(2.288)
Less Excess of revenues over expenses attributable to noncontrolling interests	2 595	2 595	_	-	-	_	-	-	_	_	-	-	_
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 214,338	\$ (2,296) \$	\$ 55,596 \$	84,625	\$ 43,162	\$ 46 <u>518</u>	\$ (15,372)	\$ (458)	\$ 3,856	\$ 7	\$ (42)	\$ 1,030	\$ (2.288)

Consolidating Statements of Operations of Northern California Region (In Thousands)

For the Year Ended June 30, 2011

	North Califor Regio	nia	Eliminations	Queen of the Valley	Santa Rosa Memorial	Petaluma Valley		St Joseph Eureka	Redwood Memorial	Heritage Foundation Northern California	St Joseph Home Health North	Redwood Memorial Foundation
Revenues												
Patient service net of contractual												
allowances and discounts	\$ 94	2 752 \$	(446) \$	339 025	\$ 351.876	\$ 84.5	11 \$	198 156	\$ 43 311	\$ 14686	\$ 11 600	\$ -
Provision for doubtful accounts	2	8 822	_	(535)	11 867	6 l-	40	7 254	2 487	1 335	274	_
Net patient service net of provision for doubtful accounts	91	3 930	(446)	239 560	340 009	78 4	04	190 902	40 824	13 351	11 326	_
Premium		8 646	-	8 469	-		_	-	-	177	-	-
Other		8 723	(946)	2 749	3 578	9	66	705	176	1 495		-
Total revenues	93	1 299	(1 392)	250 778	343 587	79 3	70	191 607	41 000	15 023	11 326	_
Expenses												
Compensation and benefits	46	9 664	-	136 497	166 925	47.2	96	83 389	19 911	5 873	9 773	-
Supplies and other	20	9 257	-	54 814	75 602	15.7	53	53 401	5 989	2 566	1 132	-
Professional fees and purchased services	17	4 261	(1.392)	39 049	58 026	15.5.	39	37 231	7 703	16 961	1144	-
Depreciation and amortization	4	4 531		13 518	18 396	3 5	16	7 130	1 529	362	80	-
Interest	1	1 480	=	3 306	7 794		59	173	134	-	14	
Total expenses	90	9 193	(1.392)	247 184	326 743	82 1	63	181 324	35 266	25 762	12 143	
Operating income (loss)	2	2 106	-	3 594	16 844	(2.7)	93)	10 283	5 734	(10 739)	(817)	-
Nonoperating gains net	3	1 451	_	16 815	9 616		21	560	4 205	3	_	231
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 5	3 5 5 7 \$	5 - \$	S 20 409	\$ 26,460	\$ (27	72) \$	10 843	\$ 9939	\$ (10.736)	(817)	\$ 231
č												

Consolidating Statements of Operations of Texas Region (In Thousands)

For the Year Ended June 30, 2011

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	C ovenant Plainview	C ovenant LT AC	C ovenant Medical Group	Methodist Medical Group	C ovenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Revenues								-	-					-	
Patient service net of contractual															
allowances and discounts	\$ 765 261	\$ (64 239)	\$ 647 691	\$ 20.454	\$ 32 710	\$ 21 478	\$ 80 416	\$ 1	\$ 13 518	\$ 6 897	\$ 6335	\$ -	\$ -	\$ -	\$ -
Provision for doubtful accounts	86 470	-	67 218	2 025	4 027	96	12 284	-	244	496	80	-	-	-	
Net patient service net of provision for doubtful accounts	678 791	(64 239)	580 473	18 429	28 683	21 382	68 132	1	13 274	6 401	6 255	-	-	-	-
Premum	286 629	(1.550)	-	-	-	_	-	-	-	-	-	-	288 179	-	-
Other	46 841	(22 123)	25 199	553	3 046	1	24 400	-	-	44	148	3 036	12 537	_	_
Total revenues	1 012 261	(87 912)	605 672	18 982	31 729	21 383	92 532	1	13 274	6 445	6 403	3 036	300 716	-	-
Expenses															
Compensation and benefits	384 087	(1.550)	229 110	11 128	14 078	9 308	90 998	-	3 797	2 174	2 592	440	22 012	-	-
Supplies and other	196 706	(4.230)	158 358	3 361	7 482	5 893	12 451	-	3 710	990	1 3 1 6	32	8 207	(864)	-
Professional fees and purchased services	337 072	(87 264)	125 649	4 108	6 687	4 402	9 133	-	1 672	596	1 907	1 211	268 971	_	-
Depreciation and amortization	46 720	-	42 135	548	645	297	604	-	470	136	2	-	1 807	76	-
Interest	11 710	_	11 570	3	-	_	_	-	-	_	-	-	137	_	_
Total expenses	976 295	(93 044)	566 822	19 148	28 892	19 900	113 186	-	9 649	3 896	5 817	1 683	301 134	(788)	_
Operating income (loss)	35 966	5 132	38 850	(166)	2 837	1 483	(20 654)	1	3 625	2 549	586	1 353	(418)	788	=
Nonoperating gains (losses) net	20 063	(12 938)	22 757	103	184	12	32	-	755	1	11	10	4 438	4 803	(105)
Excess (deficiency) of revenues over expenses	56 029	(7 806)	61 607	(63)	3 021	1 495	(20 622)	1	4 380	2 550	597	1 363	4 020	5 591	(105)
Less Excess of revenues over expenses															
attributable to noncontrolling interests	4 636	4 636	_	_	_	_	_	_	_	_	_	_	_	_	
Excess (deficiency) of revenues over expenses attributable to controlling interests	\$ 51 393	\$ (12,442)	\$ 61 607	\$ (63)	\$ 3.021	\$ 1495	\$ (20,622)	\$ 1	\$ 4380	\$ 2.550	\$ 597	\$ 1363	\$ 4020	\$ 5591	\$ (105)

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