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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

C Name of organization
COVENANT HEALTH SYSTEM

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
3615 19TH STREET

City or town, state or country, and ZIP + 4
LUBBOCK, TX 794101203

D Employer identification number
75-2765566

E Telephone number
(806)725-1011

G Gross receipts $ 570,190,305

F Name and address of principal officer
RICHARD PARKS
3615 19TH STREET
LUBBOCK,TX 794101203

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW COVENANTHEALTH ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1998 | **M** State of legal domicile TX

Part I Summary

1 Briefly describe the organization's mission or most significant activities
SEE SCHEDULE O

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	20
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	15
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	4,394
6	Total number of volunteers (estimate if necessary)	**6**	94
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	7,638,488
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-932,827

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	6,338,336	6,224,675
	9 Program service revenue (Part VIII, line 2g)	534,157,611	561,027,764
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	6,396,069	2,937,866
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	546,892,016	570,190,305
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	3,951,530	4,514,300
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	203,718,129	212,110,410
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	311,898,143	305,351,765
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	519,567,802	521,976,475
	19 Revenue less expenses Subtract line 18 from line 12	27,324,214	48,213,830

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	578,229,478	634,343,422
	21 Total liabilities (Part X, line 26)	201,667,947	222,471,839
	22 Net assets or fund balances Subtract line 21 from line 20	376,561,531	411,871,583

Part II Signature Block

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

Sign Here

****** | 2013-05-13
Signature of officer | Date

JEANNA ADLER CHIEF ACCOUNTING OFFICER
Type or print name and title

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ▶☐	Preparer's taxpayer identification number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ ERNST & YOUNG US LLP 401 CONGRESS AVENUE SUITE 1800 AUSTIN, TX 78701			EIN ▶ Phone no ▶ (512) 478-9881

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

SEE SCHEDULE O

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 491,470,605 including grants of $ 4,514,300) (Revenue $ 561,027,764)

SEE SCHEDULE O

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 491,470,605

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	435		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c** Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	4,394		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b** Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a** Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b** Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**	No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**	
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**	
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**	No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**	
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**	
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?			**9a**	
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**	
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	**11a**			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**	
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**			
c	Enter the aggregate amount of reserves on hand	**13c**			
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**	No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**	

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	20		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	15		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			No
6	Did the organization have members or stockholders?	6		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b		Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request

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

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

SHARON CLARK
3615 19TH STREET
LUBBOCK,TX 794101203
(806)725-5234

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								6,056,426	1,919,856	425,308

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 187

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
ARAMARK 25271 NETWORK PLACE CHICAGO, IL 606731252	FOOD SERVICES	7,309,834
TTUHSC 3601 4TH STREET STOP 6207 SUITE 2 LUBBOCK, TX 79430	PHYSICIAN SERVICES	5,764,116
NORTHSTAR ANESTHESIA PA 2000 E LAMAR BLVD SUITE 400 ARLINGTON, TX 76006	ANESTHESIA SERVICES	4,452,809
ANTHONY MECHANICAL INC PO BOX 3886 LUBBOCK, TX 79452	CONSTRUCTION	3,976,343
NURSEFINDERS PO BOX 910738 DALLAS, TX 783910738	STAFFING	3,628,439

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 194

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	3,871,619			
	e	Government grants (contributions)	1e	2,353,056			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $ 1,224,914					
	h	**Total.** Add lines 1a-1f		6,224,675			
Program Service Revenue			Business Code				
	2a	PATIENT REVENUE	622110	530,714,637	530,714,637		
	b	MEDICAL OFFICE BUILDING	531120	4,590,348	4,590,348		
	c	OUTREACH LAB SERVICES	621511	4,411,667		4,411,667	
	d	BILLING/MANAGEMENT FEES	541611	3,926,240	699,419	3,226,821	
	e	CAFETERIA	722310	3,329,522	3,329,522		
	f	All other program service revenue		14,055,350	14,055,350		
	g	**Total.** Add lines 2a–2f		561,027,764			
	3	Investment income (including dividends, interest and other similar amounts)		2,937,866			2,937,866
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss)		0			
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events		0			
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities		0			
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory		0			
		Miscellaneous Revenue	Business Code				
	11a						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		0			
	12	**Total revenue.** See Instructions		570,190,305	553,389,276	7,638,488	2,937,866

Part IX Statement of Functional Expenses

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

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	4,514,300	4,514,300		
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	3,100,937		3,100,937	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	31,420		31,420	
7	Other salaries and wages	144,387,777	134,216,430	10,171,347	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	9,753,332	9,753,332		
9	Other employee benefits	42,510,864	41,048,005	1,462,859	
10	Payroll taxes	12,326,080	11,605,214	720,866	
11	Fees for services (non-employees)				
a	Management	72,260	72,260		
b	Legal	20,430	20,430		
c	Accounting	810,678	640,436	170,242	
d	Lobbying	21,638	21,638		
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	0			
g	Other	105,183,259	99,002,219	6,181,040	
12	Advertising and promotion	3,256,753	92,946	3,163,807	
13	Office expenses	14,467,678	12,050,470	2,417,208	
14	Information technology	6,842,703	5,794,631	1,048,072	
15	Royalties . .	0			
16	Occupancy	8,895,494	8,889,471	6,023	
17	Travel	929,840	433,109	496,731	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	242,169	145,975	96,194	
20	Interest	7,952,556	7,952,556		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	33,886,258	33,886,258		
23	Insurance	1,967,490	1,796,577	170,913	
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	119,037,726	118,969,563	68,163	
b	ALL OTHER EXPENSES	1,764,833	564,785	1,200,048	
c					
d					
e					
f	All other expenses				
25	**Total functional expenses.** Add lines 1 through 24f	521,976,475	491,470,605	30,505,870	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		31,828,389	1	4,920,354
	2	Savings and temporary cash investments		50,390,345	2	84,130,162
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		67,348,577	4	67,413,297
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		11,235,562	8	11,248,800
	9	Prepaid expenses and deferred charges		2,133,907	9	2,363,148
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 752,524,300			
	b	Less accumulated depreciation	10b 520,724,968	249,313,221	10c	231,799,332
	11	Investments—publicly traded securities		104,471,726	11	130,071,241
	12	Investments—other securities See Part IV, line 11		11,241,183	12	8,856,597
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		50,266,568	15	93,540,491
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		578,229,478	16	634,343,422
Liabilities	17	Accounts payable and accrued expenses		37,339,385	17	39,074,471
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		2,907,934	23	2,714,955
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		161,420,628	25	180,682,413
	26	**Total liabilities.** Add lines 17 through 25		201,667,947	26	222,471,839
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		376,561,531	27	411,871,583
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		376,561,531	33	411,871,583
	34	Total liabilities and net assets/fund balances		578,229,478	34	634,343,422

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	570,190,305
2	Total expenses (must equal Part IX, column (A), line 25)	2	521,976,475
3	Revenue less expenses Subtract line 2 from line 1	3	48,213,830
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	376,561,531
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-12,903,778
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	411,871,583

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
COVENANT HEALTH SYSTEM	75-2765566

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		21,638
j	Total lines 1c through 1i			21,638
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
PORTION OF DUES PAID TO HOSPITAL ASSOCIATIONS FOR LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, LINE 1I	DURING THE PAST YEAR, THE ST JOSEPH HEALTH SYSTEM HAS CONDUCTED AN ADVOCACY EFFORT WHICH INCLUDED SOME LOBBYING ACTIVITY THESE INCLUDED MEETING WITH LOCAL, STATE, AND FEDERAL LEGISLATORS, THEIR STAFF AND OTHER GOVERNMENTAL OFFICIALS, AND COMMUNICATIONS TO LEGISLATORS ADVOCATING POSITIONS ON LEGISLATION

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		18,349,427		18,349,427
b Buildings		390,601,034	261,942,326	128,658,708
c Leasehold improvements		20,246,067	14,308,623	5,937,444
d Equipment		308,106,431	244,474,019	63,632,412
e Other		15,221,341		15,221,341
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				231,799,332

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

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

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

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

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

(a) Description	(b) Book value
(1) LONG TERM DUE FROM AFFILIATES	79,861,360
(2) ASSETS HELD IN TRUSTS	11,698,109
(3) DEFERRED FINANCING COSTS-NET	1,367,672
(4) BOARD DESIGNATED ASSETS	369,832
(5) OTHER RECEIVABLES	243,518
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	93,540,491

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
LONG TERM NOTES	144,161,486
CURRENT MATURITIES OF LT DEBT	12,929,838
OTHER LIABILITIES	12,210,856
PAYABLE TO THIRD-PARTY PAYORS	11,380,233
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	180,682,413

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
CONSOLIDATED AUDIT FOOTNOTE FOR FIN 48 (ASC 740)	SCHEDULE D, PART X, LINE 2	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

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SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

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

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States

3 Activites per Region (Use Part V if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region or independent contractors	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for region/investments in region
Central America and the Caribbean	0	0	Program Services	CAPTIVE INSURANCE	1,285,843
3a Sub-total	0	0			1,285,843
b Total from continuation sheets to Part I					
c **Totals** (add lines 3a and 3b)	0	0			1,285,843

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000. Check this box if no one recipient received more than $5,000 . . . . . ▶ ☐
Use Part V if additional space is needed.

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . . ▶ _____

3 Enter total number of other organizations or entities . . . . . ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Use Part V if additional space is needed.

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

Part IV Foreign Forms

1	Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*	☑ Yes	☐ No
2	Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*	☐ Yes	☑ No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*	☐ Yes	☑ No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*	☐ Yes	☑ No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*	☐ Yes	☑ No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*	☐ Yes	☑ No

Part V **Supplemental Information**

Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

Identifier	Return Reference	Explanation
ACCOUNTING METHOD	SCHEDULE F, PART I, LINE 3, COLUMN (F)	THE ACCRUAL METHOD OF ACCOUNTING WAS USED TO DETERMINE THE AMOUNT IN COLUMN (F)

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☑ Other **175. %**	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other **%**	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	4	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	5a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5b	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5c		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	6a	Yes	
6a	Did the organization prepare a community benefit reportduring the tax year?	6b	Yes	
6b	If "Yes," did the organization make it available to the public?			
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			28,591,881	0	28,591,881	5 350 %
b Medicaid (from Worksheet 3, column a)			40,712,389	33,728,337	6,984,052	1 310 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			69,304,270	33,728,337	35,575,933	6 660 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			2,898,601	236,448	2,662,153	0 500 %
f Health professions education (from Worksheet 5)			14,229,627	4,667,308	9,562,319	1 790 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			91,782	0	91,782	0 020 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			2,652,096	0	2,652,096	0 500 %
j **Total** Other Benefits			19,872,106	4,903,756	14,968,350	2 810 %
k **Total.** Add lines 7d and 7j			89,176,376	38,632,093	50,544,283	9 470 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			78,849	0	78,849	0 010 %
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**			78,849	0	78,849	0 010 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense	2	49,839,726		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	142,515,037		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	169,201,775		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-26,686,738		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1 COVENANT L-T CARE LP	LONG-TERM CARE	67 000 %	0 %	33 000 %
2 LUBBOCK SURG CTR LTD	HEALTHCARE	59 000 %	0 %	41 000 %
3 METHODIST DIAGNOSTIC	HEALTHCARE	60 000 %	0 %	40 000 %
4 LUBBOCK GAMMA LP	HEALTHCARE	40 000 %	0 %	60 000 %
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 2

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	COVENANT MEDICAL CENTER 3615 19TH STREET LUBBOCK,TX 794101203	X	X				X	X		
2	COVENANT MED CENTER-LAKESIDE CAMPUS 4000 24TH STREET LUBBOCK,TX 79410	X	X	X			X	X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

COVENANT MEDICAL CENTER

Name of Hospital Facility: _____

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 175 %			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☐ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☑ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☐ The policy was available upon request			
	g ☑ Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

COVENANT MED CENTER-LAKESIDE CAMPUS

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 175 %			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☐ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☑ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☐ The policy was available upon request			
	g ☑ Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

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

How many non-hospital facilities did the organization operate during the tax year? **10**

	Name and address	Type of Facility (Describe)
1	JOE ARRINGTON CANCER RSCH & TRTMT CENTER 4101 22ND PLACE LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
2	COVENANT LT CARE LP 4000 24TH STREET LUBBOCK,TX 79410	LONG TERM CARE
3	COVENANT HEART & VASCULAR 3615 19TH STREET LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
4	LUBBOCK SURGERY CENTER LTD 2301 QUAKER LUBBOCK,TX 79410	SURGERY CENTER
5	METHODIST DIAGNOSTIC IMAGING 4005 24TH STREET LUBBOCK,TX 79410	DIAGNOSTIC CENTER
6	FAMILY HEALTHCARE CENTER 7601 QUAKER LUBBOCK,TX 79410	MEDICAL CLINIC
7	SOUTHWEST MEDICAL PARK 9812 SLIDE ROAD LUBBOCK,TX 79424	GENERAL MEDICAL & SURGICAL
8	FAMILY HEALTHCARE CENTER 416 FRANKFORD ROAD LUBBOCK,TX 79410	MEDICAL CLINIC
9	ARRINGTON COMPREHENSIVE BREAST CENTER 4101 22ND PLACE LUBBOCK,TX 79410	GENERAL MEDICAL & SURGICAL
10	LUBBOCK GAMMA 10000 MEMORIAL DRIVE SUITE 540 HOUSTON,TX 77024	GENERAL MEDICAL & SURGICAL

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
SCHEDULE H, 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 ACCOUNTING SYSTEM ADDRESSES ALL PATIENT SEGMENTS WORKSHEET 2 WAS NOT USED, HOWEVER A RATIO OF TOTAL OPERATING EXPENSES TO GROSS CHARGES WAS USED

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	SCHEDULE H, PART II	COVENANT HEALTH SYSTEM (CHS) 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 CHS IS TO BRING PEOPLE TOGETHER TO PROVIDE COMPASSIONATE CARE, PROMOTE HEALTH IMPROVEMENT, AND CREATE HEALTHY COMMUNITIES DURING THE YEAR, THE EMPLOYEES OF CHS 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 THIS POLICY WAS NOT IMPLEMENTED BY COVENANT HEALTH SYSTEM UNTIL MARCH OF 2013 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 OTHERS ARE 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

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 HEALTH SYSTEM 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

Identifier	ReturnReference	Explanation
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	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 THIS POLICY WAS NOT IMPLEMENTED BY COVENANT HEALTH SYSTEM UNTIL MARCH OF 2013

Identifier	ReturnReference	Explanation
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	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

Identifier	ReturnReference	Explanation
COVENANT MEDICAL CENTER (1) AND COVENANT MED CENTER-LAKESIDE CAMPUS (2)	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

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

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	COVENANT HEALTH SYSTEM IS THE ONLY SJHS MINISTRY PROVIDING SERVICES TO COMMUNITIES IN TWO STATES COVENANT HEALTH SYSTEM PROVIDES SERVICES IN NEW MEXICO AND DRAWS PATIENTS FROM NEW MEXICO COMMUNITIES INTO LUBBOCK THE CIRCUMSTANCES OF THESE COMMUNITY MEMBERS PROFOUNDLY IMPACT THE ORGANIZATION AND THE SERVICES IT PROVIDES COVENANT HEALTH SYSTEM'S COMMUNITY BENEFIT PRIORITIES ADDRESS DUHN POPULATIONS WITHIN BOTH CORE SERVICE AREAS AND SECONDARY SERVICE AREAS FOR COMMUNITY RESIDENTS WHO ARE FACED WITH MULTIPLE HEALTH PROBLEMS AND HAVE LIMITED ACCESS TO TIMELY, HIGH-QUALITY HEALTH CARE CORE SERVICE AREAS INCLUDE THE TEXAS COUNTIES OF LUBBOCK, BAILEY, LAMB, HALE, FLOYD, MOTLEY, COCHRAN, HOCKLEY, CROSBY, DICKENS, YOAKUM, TERRY, LYNN, GARZA, KENT, GAINES, DAWSON, BORDEN, SCURRY, AND EDDY COUNTY IN NEW MEXICO ESPECIALLY WITHIN LUBBOCK, FOUR NEIGHBORHOODS, ARNETT-BENSON, HARWELL, PARKWAY-CHERRY POINT AND DUNBAR-MANHATTAN HEIGHTS, ARE DESIGNATED AS MEDICALLY UNDERSERVED AREAS (MUA'S) SECONDARY SERVICE AREAS INCLUDE PARMER, CASTRO, AND KING COUNTIES IN TEXAS

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	THE GOVERNING BODY IS COMPRISED OF A MAJORITY OF PERSONS WHO RESIDE IN THE HOSPITAL'S PRIMARY SERVICE AREA AND WHO ARE NOT EMPLOYEES, CONTRACTORS, OR FAMILY MEMBERS THE SUB-COMMITTEE OF THE BOARD OF TRUSTEES, KNOWN AS THE COMMUNITY BENEFIT COMMITTEE, OVERSEES THE DEVELOPMENT AND IMPLEMENTATION OF THE COMMUNITY HEALTH NEEDS ASSESSMENT AND 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 DESIGN, 4) TARGET GEOGRAPHIC/POPULATION, 5) 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 ECONOMICALLY POOR AND VULNERABLE IN THE COMMUNITIES WE SERVE THIS PAST FISCAL YEAR OUR HOSPITAL PROMOTED HEALTH AND ACCESS TO CARE BY SUPPORTING THE FOLLOWING PROGRAMS HEALTH & NUTRITION EDUCATION, MENTAL HEALTH COUNSELING FAMILY DENTISTRY, ACCESS TO CARE, AND COVENANT BODY MIND INITIATIVE OUR MISSION IS 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 PEOPLE IN THE COMMUNITIES WE SERVE WE BELIEVE THAT NO ONE SHOULD DELAY SEEKING NEEDED MEDICAL CARE BECAUSE THEY LACK HEALTH INSURANCE THAT IS WHY COVENANT HEALTH SYSTEM, AS A MINISTRY OF ST JOSEPH HEALTH SYSTEM, HAS A PATIENT FINANCIAL ASSISTANCE PROGRAM THAT PROVIDES FREE OR DISCOUNTED SERVICES TO ELIGIBLE PATIENTS ON AN ANNUAL BASIS, TEN PERCENT OF OUR NET INCOME IS DEVOTED TO FUND COMMUNITY PROGRAMS FOR THE ECONOMICALLY POOR (CARE FOR THE POOR FUNDS) SPECIFICALLY, FUNDS ARE USED FOR OUTREACH PROGRAMS, DEFINED AS THOSE SERVICES THAT ADDRESS A SPECIFIC UNMET HEALTH NEED AND ARE SEPARATE FROM TRADITIONAL ACUTE CARE SERVICES IN ADDITION TO DEVOTING A PERCENTAGE OF OUR NET INCOME TO COMMUNITY PROGRAMS FOR THE ECONOMICALLY POOR VIA CARE FOR THE POOR FUNDS, WE STRIVE TO ANNUALLY BUDGET A PORTION OF OUR TOTAL OPERATING EXPENSES FOR HEALTHY COMMUNITIES AND COMMUNITY HEALTH EFFORTS DURING THE PAST YEAR, COVENANT HEALTH DEDICATED $1,630,499 IN CARE FOR THE POOR FUNDS AND $909,957 TO HEALTHY COMMUNITIES AND COMMUNITY HEALTH INITIATIVES THIS FUNDING MADE THE FOLLOWING PROGRAMS THAT PROMOTE HEALTH AND ACCESS TO CARE TO THE LOW-INCOME POSSIBLE HEALTH & NUTRITION EDUCATION, MENTAL HEALTH COUNSELING FAMILY DENTISTRY, ACCESS TO CARE, AND COVENANT BODY MIND INITIATIVE

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM	SCHEDULE H, PART VI, LINE 6	COVENANT HEALTH SYSTEM IS A HEALING MINISTRY OF ST JOSEPH HEALTH SYSTEM, AN INTEGRATED HEALTHCARE 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 SYSTEM 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

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART VI, LINE 7	TEXAS MINISTRIES REPORT TO STATE OF TEXAS DEPARTMENT OF STATE HEALTH SERVICES IN ACCORDANCE WITH THE TEXAS HEALTH AND SAFETY CODE - SECTION 311 045

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) DIOCESE OF LUBBOCK PO BOX 98700 LUBBOCK,TX 79416	75-2773524	501(C)(3)	50,000				DONATION TO DIOCESAN
(2) PURPOSE MEDICAL MISSION3105 102ND STREET LUBBOCK,TX 79423	26-3600976	501(C)(3)	60,000				EQUIPMENT AND
(3) TEXAS TECH UNIVERSITYBOX 41105 LUBBOCK,TX 79409	75-2668014	GOVERNMENT	125,000				HEALTHY COMM & CHILD
(4) UNITED WAY1655 MAIN STREET LUBBOCK,TX 79401	75-0961812	501(C)(3)	40,000				PROGRAM SUPPORT
(5) AMERICAN CANCER SOCIETY LUBBOCK3513 10TH STREET LUBBOCK,TX 79415	23-7040934	501(C)(3)	200,000				LUBBOCK HOPE LODGE
(6) SOUTH PLAINS CLOSING THE GAPS P-20 COUNCILPO BOX 41071 LUBBOCK,TX 79409	80-0414487	501(C)(3)	10,000				SCHOLARSHIP DONATION
(7) HOPE COMMUNITY OF SHALOM2005 AVENUE T LUBBOCK,TX 79411	36-4504943	501(C)(3)	10,000				10TH ANNIVERSARY
(8) ST JOSEPH HEALTH SYSTEM FOUNDATION 3345 MICHELSON DR STE 100 IRVINE,CA 92612	33-0143024	501(C)(3)	3,688,900				CARE FOR THE POOR

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 8

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 0

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

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

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

Identifier	Return Reference	Explanation
DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS	SCHEDULE I, PART I, LINE 2	DONATIONS MADE TO OTHER ORGANIZATIONS ARE APPROVED BY MANAGEMENT TO ENSURE THEY SUPPORT THE MISSION OF COVENANT HEALTH SYSTEM NO ADDITIONAL MONITORING IS DONE

Additional Data

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Software ID:
Software Version:
EIN: 75-2765566
Name: COVENANT HEALTH SYSTEM

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
DIOCESE OF LUBBOCKPO BOX 98700 LUBBOCK,TX 79416	75-2773524	501(C)(3)	50,000				DONATION TO DIOCESAN
PURPOSE MEDICAL MISSION3105 102ND STREET LUBBOCK,TX 79423	26-3600976	501(C)(3)	60,000				EQUIPMENT AND

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
TEXAS TECH UNIVERSITYBOX 41105 LUBBOCK,TX 79409	75-2668014	GOVERNMENT	125,000				HEALTHY COMM & CHILD
UNITED WAY1655 MAIN STREET LUBBOCK,TX 79401	75-0961812	501(C)(3)	40,000				PROGRAM SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
AMERICAN CANCER SOCIETY LUBBOCK3513 10TH STREET LUBBOCK,TX 79415	23-7040934	501(C)(3)	200,000				LUBBOCK HOPE LODGE
SOUTH PLAINS CLOSING THE GAPS P-20 COUNCILPO BOX 41071 LUBBOCK,TX 79409	80-0414487	501(C)(3)	10,000				SCHOLARSHIP DONATION

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
HOPE COMMUNITY OF SHALOM2005 AVENUE T LUBBOCK,TX 79411	36-4504943	501(C)(3)	10,000				10TH ANNIVERSARY
ST JOSEPH HEALTH SYSTEM FOUNDATION3345 MICHELSON DR STE 100 IRVINE,CA 92612	33-0143024	501(C)(3)	3,688,900				CARE FOR THE POOR

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table								

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	SCHEDULE J, PART I, LINE 1A	ST JOSEPH HEALTH SYSTEM ALLOWS FOR COMPANION TRAVEL TO CERTAIN PRE-APPROVED, MINISTRY SPONSORED EVENTS COMPANION TRAVEL IS TREATED AS TAXABLE COMPENSATION IN MOST CASES IN THE CASE THAT COMPANION TRAVEL IS NOT TAXABLE COMPENSATION, THE INDIVIDUAL IS PROVIDING A SERVICE TO THE HEALTH SYSTEM AS A REPRESENTATIVE WITH KNOWLEDGE OF THE COMMUNITIES AND MINISTRIES WE SERVE MEMBERS OF THE BOARD AND EXECUTIVE MANAGEMENT TEAM ARE SELECTED TO PARTICIPATE IN AN ANNUAL PILGRIMAGE TO LE PUY, FRANCE, WHERE THE SISTERS' FIRST CONGREGATION WAS FORMED THE PURPOSE OF THE PILGRIMAGE IS FOR THE ORGANIZATION'S LEADERS TO DEVELOP A DEEPER UNDERSTANDING OF THE ROOTS AND HERITAGE OF THE ORGANIZATION IN ORDER TO CARRY OUT THE MISSION COMPANION TRAVEL IS CONSIDERED TO BE AN ESSENTIAL PART OF THIS EXPERIENCE AND THE COMPANION ACTS AS A REPRESENTATIVE WITH KNOWLEDGE OF THE COMMUNITIES AND MINISTRIES WE SERVE THE FOLLOWING DIRECTORS/OFFICERS 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
DESCRIPTION OF CEO PAID BY EXEMPT AGENT	SCHEDULE J, PART I, LINE 3	THE ORGANIZATION'S CHIEF EXECUTIVE OFFICER IS PAID BY ITS TAX EXEMPT PARENT, ST JOSEPH HEALTH SYSTEM, AND IS DISCLOSED AS A PERSON PAID BY A RELATED ORGANIZATION SEE SCHEDULE O, PART VI, LINE 15A FOR THE PROCESS THAT IS COMPLETED BY THE ST JOSEPH HEALTH SYSTEM
SEVERANCE PAYMENTS	SCHEDULE J, PART I, LINE 4A	MELINDA CLARK RECEIVED $282,512 FOR SEVERANCE PAID THROUGH ST JOSEPH HEALTH SYSTEM SHARYN IVORY RECEIVED $99,206 AND SUSAN NEVES RECEIVED $158,362 FOR SEVERANCE PAID THROUGH COVENANT HEALTH SYSTEM
DESCRIPTION OF SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN	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 DISTRIBUTIONS WERE MADE DURING THE YEAR
DESCRIPTION OF NON-FIXED PAYMENTS	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

Additional Data

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Software ID:
Software Version:
EIN: 75-2765566
Name: COVENANT HEALTH SYSTEM

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
RICHARD PARKS	(I)	0	0	0	0	0	0	0
	(II)	617,795	280,650	138,326	7,350	17,123	1,061,244	0
TROY THIBODEAUX	(I)	280,461	42,147	101,962	0	4,245	428,815	0
	(II)	0	0	0	0	0	0	0
JOHN GRIGSON	(I)	360,754	306,386	102,466	9,800	20,491	799,897	0
	(II)	0	0	0	0	0	0	0
SUSAN NEVES	(I)	58,444	87,937	402,375	5,345	2,851	556,952	215,882
	(II)	0	0	0	0	0	0	0
STEVEN MCCAMY	(I)	315,698	271,896	93,012	9,800	24,169	714,575	0
	(II)	0	0	0	0	0	0	0
ROXIE TAYLOR	(I)	258,486	95,668	78,814	19,600	6,499	459,067	0
	(II)	0	0	0	0	0	0	0
SHARYN IVORY	(I)	114,784	73,452	150,312	12,731	4,019	355,298	0
	(II)	0	0	0	0	0	0	0
STEVEN BECK	(I)	156,559	54,374	43,305	17,197	12,486	283,921	0
	(II)	0	0	0	0	0	0	0
KAREN BAGGERLY	(I)	240,850	81,910	64,784	26,950	6,492	420,986	0
	(II)	0	0	0	0	0	0	0
RODNEY CATES	(I)	215,507	75,577	63,529	17,150	15,955	387,718	0
	(II)	0	0	0	0	0	0	0
SHARON PRATHER	(I)	218,958	82,908	76,780	24,500	12,335	415,481	15,042
	(II)	0	0	0	0	0	0	0
SCOTT ROBINS MD	(I)	76,109	198,276	195,621	19,591	1,265	490,862	156,496
	(II)	0	0	0	0	0	0	0
SHARON CLARK	(I)	272,930	104,559	62,563	9,800	24,344	474,196	0
	(II)	0	0	0	0	0	0	0
JO ANN ESCASA-HAIGH	(I)	0	0	0	0	0	0	0
	(II)	344,020	173,044	83,509	9,776	33,952	644,301	0
MELINDA CLARK	(I)	0	0	0	0	0	0	0
	(II)	0	0	282,512	0	0	282,512	0
CLARK COCHRAN	(I)	155,734	53,344	35,915	8,436	2,118	255,547	0
	(II)	0	0	0	0	0	0	0
MURALI NAIR	(I)	283,713	500	11,067	19,600	19,338	334,218	0
	(II)	0	0	0	0	0	0	0

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PARKHILL SMITH COOPER INC	JOHN HAMILTON/BD MBR	276,721	ARCHITECTURAL SERVICES		No
(2) MEMPHIS PLACE MALL LTD	MICHAEL ROBERTSON/BD MBR	115,919	LEASE OF BUILDING		No
(3) KALEN PARKS	DAUGHTER OF CEO	31,420	EMPLOYEE OF CHS		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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493133052073

SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Part 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 1g	(d) Method of determining contribution amounts
1	Art—Works of art				
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded				
10	Securities—Closely held stock				
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial				
17	Real estate—Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▸ (MEDICAL EQUIPMENT)	X	1	1,224,914	COST/SELLING PRICE
26	Other ▸ ( )				
27	Other ▸ ( )				
28	Other ▸ ( )				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . 29 0

			Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		No
b	If "Yes," describe the arrangement in Part II			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31	Yes	
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?	32a		No
b	If "Yes," describe in Part II			
33	If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II			

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

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493133052073

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990, PART I, LINE 1 AND PART III, LINE 1	COVENANT HEALTH SYSTEM 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 COMMUNITIES WE SERVE.

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	REALIZING OUR MISSION COVENANT HEALTH SYSTEM (COVENANT HEALTH/CHS) HAS BEEN MEETING THE HE ALTH AND QUALITY OF LIFE NEEDS OF THE LOCAL COMMUNITY FOR OVER 13 YEARS SERVING THE COMMU NITIES OF LUBBOCK, BAILEY, LAMB, HALE, FLOYD, MOTLEY, COCHRAN, HOCKLEY, CROSBY, DICKENS, Y OAKUM, TERRY, LYNN, GARZA, KENT, GAINES, DAWSON, BORDEN, SCURRY, AND EDDY COUNTY IN NEW ME XICO, COVENANT HEALTH IS AN ACUTE CARE HOSPITAL THAT PROVIDES QUALITY CARE IN THE AREAS OF STATE OF THE ART CARDIAC CARE, MOBILE MAMMOGRAPHY, MOBILE DENTAL, STATE OF THE ART OUTPAT IENT CANCER TREATMENT, AND HEALTH EDUCATION ETC WITH OVER 5,000 EMPLOYEES COMMITTED TO RE ALIZING THE MISSION, COVENANT HEALTH IS ONE OF THE LARGEST EMPLOYERS IN THE WEST TEXAS AND EASTERN NEW MEXICO REGION AS A MEMBER OF THE ST JOSEPH HEALTH SYSTEM (SJHS), COVENANT H EALTH IS COMMITTED TO EXTEND THE HEALING MINISTRY OF JESUS IN THE TRADITION OF THE SISTERS OF ST JOSEPH OF ORANGE. THIS MISSION HAS GUIDED OUR CATHOLIC HEALTHCARE MINISTRY SINCE T HE OPENING OF OUR FIRST HOSPITAL IN EUREKA, CALIFORNIA 100 YEARS AGO THE SISTERS OF ST J OSEPH OF ORANGE TRACE THEIR ROOTS BACK TO 17TH CENTURY FRANCE AND THE UNIQUE VISION OF A J ESUIT PRIEST NAMED JEAN-PIERRE MEDAILLE. HE SOUGHT TO ORGANIZE AN ORDER OF RELIGIOUS WOMEN WHO, RATHER THAN REMAINING SAFELY CLOISTERED IN A CONVENT, VENTURED OUT INTO THE COMMUNIT Y TO SEEK OUT "THE DEAR NEIGHBORS" AND MINISTER TO THEIR NEEDS THE CONGREGATION MANAGED T O SURVIVE THE TURBULENCE OF THE FRENCH REVOLUTION AND EVENTUALLY EXPANDED, NOT ONLY THROUG HOUT FRANCE, BUT THROUGHOUT THE WORLD IN 1912 A SMALL GROUP OF SISTERS OF ST JOSEPH WENT TO EUREKA, CALIFORNIA, AT THE INVITATION OF THE LOCAL BISHOP, TO ESTABLISH A SCHOOL A FE W YEARS LATER, THE GREAT INFLUENZA EPIDEMIC OF 1918 CAUSED THE SISTERS TO TEMPORARILY SET ASIDE THEIR EDUCATION EFFORTS TO CARE FOR THE ILL THEY REALIZED IMMEDIATELY THAT THE SMAL L COMMUNITY DESPERATELY NEEDED A HOSPITAL THROUGH BOLD FAITH, FORESIGHT, AND FLEXIBILITY IN 1920, THE SISTERS OPENED THE 28-BED ST JOSEPH HOSPITAL OF EUREKA, THE FIRST ST JOSEPH HEALTH SYSTEM MINISTRY THREE MISSION OUTCOMES STRATEGICALLY GUIDE OUR MINISTRY WORK COVE NANT HEALTH IS COMMITTED TO THREE SYSTEMWIDE MISSION OUTCOMES 1) EVERY INTERACTION WILL B E EXPERIENCED AS A SACRED ENCOUNTER THE GOAL OF SACRED ENCOUNTER HAS A DIRECT CONNECTION TO THE OVERALL MISSION OUR VALUE OF DIGNITY CALLS FOR US TO RESPECT EACH PERSON AS AN INH ERENTLY VALUABLE MEMBER OF THE HUMAN COMMUNITY AND AS A UNIQUE EXPRESSION OF LIFE. WE STRI VE TO DO THIS BY KEEPING AT THE FOREFRONT OF OUR MINDS THE UNDERSTANDING OF THE IMPACT WE CAN HAVE ON ONE ANOTHER WITH EVERY ACTION WE TAKE. AT COVENANT HEALTH WE EDUCATE OUR EMPLO YEES AT BOTH THE MEDICAL CENTER AND WOMEN'S AND CHILDREN'S CAMPUS ON WHAT IS EXPECTED BEHA VIOR IN RELATION TO PATIENT CARE, CUSTOMER SERVICE AND TEAMWORK EMPLOYEES ARE INTRODUCED TO THESE EXPECTATIONS AND TO THE GOAL TO MAKE EVERY ENCOUNTER SACRED AT NEW EMPLOYEE ORIEN TATION THESE CONCEPTS ARE ALSO INTEGRATED INTO EMPLOYEE'S 90 DAY AND ANNUAL EVALUATIONS THIS IS REINFORCED THROUGHOUT THEIR EMPLOY MENT THROUGH BOTH OPTIONAL AND MANDATORY TRAININ G, LEADERSHIP DEVELOPMENT AND OUR HR STANDARDS OF BEHAVIOR SACRED PATIENT ENCOUNTERS ARE RECOGNIZED AT CHS THROUGH HERO CARDS, EMPLOYEE OF THE MONTH STORIES AND A VALUES IN ACTION RECOGNITION PROGRAM LEADERS ARE SENT TO MISSION AND MENTORING WHICH IS A FORMATION PROGR AM LEAD BY SJHS PATIENT AND STAFF SACRED STORIES ARE ALSO SHARED REGULARLY THROUGH WEEKLY MESSAGES FROM OUR CEO, VPMI AND PATIENT EXPERIENCE OFFICE. 2) ALL PATIENTS WILL RECEIVE P ERFECT CARE. IT IS OUR ATTENTION TO DETAIL AND THE SMALLEST IMPERFECTIONS OF EACH PATIENT' S EXPERIENCE THAT DRIVES A DEEPER UNDERSTANDING AND ULTIMATELY A SUSTAINABLE APPROACH TO T HE ACHIEVEMENT OF PERFECT CARE. AT COVENANT HEALTH WE EDUCATE OUR EMPLOYEES AT BOTH THE ME DICAL CENTER AND WOMEN'S AND CHILDREN'S CAMPUS ON THE GOAL OF PERFECT CARE. EMPLOYEES ARE INTRODUCED TO THIS GOAL AT NEW EMPLOYEE ORIENTATION, NEW PHY SICIAN ORIENTATION, NURSING OR IENTATION AND IN THEIR DEPARTMENT ORIENTATIONS THIS GOAL IS ALSO INTEGRATED INTO EMPLOYEE 'S 90 DAY AND ANNUAL EVALUATIONS THIS IS REINFORCED THROUGHOUT THEIR EMPLOY MENT THROUGH M ANDATORY TRAINING IN ADDITION, CHS' QUALITY DEPARTMENT CONTINUALLY STRIVES TO FORMALLY AN D INFORMALLY EDUCATE STAFF ON PERFECT CARE EXPECTATIONS QUALITY INDICATORS ARE TRACKED AN D REPORTED TO EMT, THE BOARD OF DIRECTORS, PHY SICIAN MEETINGS, NURSING MEETINGS AND AT THE CLINICAL EXCELLENCE COMMITTEE. LEAN PROCESS IMPROVEMENT TACTICS ARE USED TO CONTINUALLY I MPROVE PROCESSES AND PERFORMANCE TO ENHANCE THE PATIENT EXPERIENCE AND LIMIT POTENTIAL IMP ERFECTIONS IN PATIENT CARE. CME'S ARE OFFERED REGULARLY ON-SITE TO OUR PHY SICIANS AND STAF F WITHIN DEPARTMENTS, UNITS AND SECTIONS SPECIFIC PROCESSES ARE CONSTANTLY MONITORED TO I NSURE PATIENT SAFETY AND BEST CARE. TEAMSTEPPS TRAINING IS AVAILABLE TO ALL STAFF TO ENHAN CE PERFORMANCE AND PATIENT SAFETY 3) THE COMMUNIT

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	IES WE SERVE WILL BE AMONG THE HEALTHIEST IN OUR NATION WE SEEK TO DEVELOP COMMUNITY HEAL TH INITIATIVES THAT IMPACT LONG-TERM HEALTH ACROSS THE ENTIRE COMMUNITY COVENANT WILL PRO VIDE FINANCIAL SUPPORT TO TEXAS TECH UNIVERSITY CENTER FOR PREVENTION AND RESILIENCY TO FU ND CBMI WHICH IS A LONGITUDINAL STUDY MEASURING THE EFFECTIVENESS OF A PREVENTION AND INTE RVENTION PROGRAM THAT IMPACTS CHILDHOOD OBESITY THOSE PERFORMING THE STUDY WILL PROVIDE T HE CB COMMITTEE WITH QUARTERLY UPDATES ON STRATEGY AND MEASURES FY 12 ACCOMPLISHMENTS PR OGRAM EXPANSION - INCREASED SCHOOLS RECEIVING CBMI CURRICULUM FROM SIX IN THE FALL OF 2011 TO TWENTY-ONE IN THE FALL OF 2012- OVER A 150% INCREASE IN SCHOOL PARTICIPATION - FIVE S CHOOLS ARE UTILIZING THE SEMESTER COURSE FOR HIGH SCHOOL CREDIT - COUNTIES IN WEST TEXAS RECEIVING CBMI CURRICULUM LUBBOCK, TERRY, KING, LAMB, AND PARMER ADDITIONAL COUNTIES IN TEXAS TARRANT, DALLAS, AND HARRIS - CURRICULUM EXPANDED FROM TEN WEEKS TO SIXTEEN WEEKS TO EXTEND THE LENGTH OF DIRECT STUDENT INTERVENTION RESEARCH OUTCOMES - AMONG THE STUDENT S WHO BEGAN THE PROGRAM THREE YEARS AGO, THERE IS A 15% IMPROVEMENT IN BODY MASS INDEX - T HE BECK DEPRESSION INVENTORY SHOWS THAT OUR STUDENTS ARE STAYING IN A HEALTHY EMOTIONAL RA NGE - THE INSTRUMENTS SHOW AN INCREASE IN EMOTIONAL REACTIVITY, MEANING THAT STUDENTS ARE ABLE TO EXPRESS EMOTIONAL RESPONSES TO SITUATIONS COMMUNITY ACTIVITIES/FAMILY INVOLVEMENT - FIT4FUN KID'S TRIATHLON - JUNIOR LEAGUE HEALTHY KIDS CAMP - BROWNFIELD MIDDLE SCHOOL WEL LNESS CAMP - LUBBOCK HIGH SCHOOL WELLNESS AND LEADERSHIP TRAINING CAMP - BUCKNER'S CHILDRE N'S HOME WELLNESS CLASSES - LYON'S CHAPEL HEALTH AND WELLNESS FORUM CONFERENCE PRESENTATIO NS - YOUTH DEVELOPMENT INITIATIVE CONFERENCE - FAMILY AND CONSUMER SCIENCES STATE TEACHER' S CONFERENCE - SOUTHERN OBESITY SUMMIT

Identifier	Return Reference	Explanation
INITIATIVE OR PROGRAM NAME. NURSING AND RADIOLOGY STUDENTS		KEY COMMUNITY PARTNERS TEXAS TECH HEALTH SCIENCES CENTER (TTUHSC), SOUTH PLAINS COLLEGE, LUBBOCK CHRISTIAN UNIVERSITY TARGET POPULATION PATIENTS IN THE HOSPITAL GOAL TO ALLOW NU RSING, RADIOLOGY, AND SURGICAL TECHNICIAN STUDENTS FROM COVENANT, SOUTH PLAINS COLLEGE, TT UHSC AND LUBBOCK CHRISTIAN UNIVERSITY TO FULFILL THEIR CLINICAL ROTATION HOURS UNDER THE S UPERVISION OF CHS NURSES, RADIOLOGY TECHNICIANS, AND SURGICAL TECHNICIANS HOW WILL WE MEA SURE SUCCESS? NURSING AND RADIOLOGY STUDENTS WITH HANDS ON EXPERIENCE, AND THE KNOWLEDGE TO CREATE COMPETENT REGISTERED NURSED, RADIOLOGY TECHS AND SURGICAL TECHS FY 12 ACCOMPLIS HMENTS THIS PROGRAM REPORTED $1,538,681 IN EXPENDITURES A DECREASE OF 17% FROM FY 2011 I NITIATIVE OR PROGRAM NAME ALLIED HEALTH STUDENTS TARGET POPULATION PATIENTS IN THE HOSPI TAL GOAL TO ALLOW HEALTH STUDENTS IN THE FIELDS OF FOOD AND NUTRITION, OCCUPATIONAL THERA PY AND PHYSICAL THERAPY TO FULFILL THEIR CLINICAL ROTATION HOURS UNDER THE SUPERVISION OF CHS ALLIED HEALTH PROFESSIONALS HOW WILL WE MEASURE SUCCESS? INCREASED NUMBER OF HEALTHC ARE PROFESSIONALS IN THE SOUTH PLAINS AREA, ALLIED HEALTH STUDENTS WITH HANDS-ON EXPERIENC E AND KNOWLEDGE TO CREATE COMPETENT HEALTHCARE PROFESSIONALS FY 12 ACCOMPLISHMENTS THIS PROGRAM REPORTED $386,014 IN EXPENDITURES AN INCREASE OF 9 1% FROM FY 2011 INITIATIVE OR PROGRAM NAME KECC COMMUNITY RESOURCE CENTER TARGET POPULATION ANY COMMUNITY MEMBERS OR H EALTHCARE PROFESSIONAL WHO RECEIVE HEALTH - RELATED EDUCATION GOAL TO PROVIDE THE COMMUNI TY AND SURROUNDING AREAS ACCESS TO HEALTH - RELATED EDUCATION RESOURCES AND TRAINING TO PR OMOTE RECOVERY AND GOOD HEALTH HOW WILL WE MEASURE SUCCESS? BY BECOMING THE FIRST PLACE THAT THE COMMUNITY OF LUBBOCK AND SURROUNDING AREA TURNS TO FOR UP-TO-DATE INFORMATION ON HEALTH EDUCATION TO IMPROVE THE LIVES OF PATIENTS, THEIR FAMILIES, AND THE COMMUNITY FY 1 2 ACCOMPLISHMENTS THIS PROGRAM REPORTED $1,200,174 IN DONATED SPACE A SLIGHT DECREASE FRO M FY 2011 INITIATIVE NAME DEPRESSION REDUCTION INITIATIVE (COUNSELING CENTER MENTAL HEAL TH PROGRAM) KEY COMMUNITY PARTNER(S) LUBBOCK IMPACT, CATHOLIC CHARITIES, COMMUNITY HEALTH CENTER OF LUBBOCK (CHCL), AND MHMR TARGET POPULATION LOW INCOME PATIENTS WHO ARE IN NEED OF MENTAL HEALTH SERVICES THAT LIVE IN LUBBOCK COUNTY OUTCOME GOAL REDUCE DEPRESSION AM ONG ADULT COVENANT COUNSELING CENTER (CCC) CLIENTS WITH PHQ - 9 SCORE OF 5 OR ABOVE SCOPE NEW ADULT CLIENTS (18 YEARS OR OLDER), AND THOSE RETURNING WITH AT LEAST 1 YR BREAK IN SE RVICES, WITH A PHQ-9 SCORE OF 5 OR ABOVE FOR THOSE IN TREATMENT EXCEPTION CCC CLIENTS DI AGNOSED WITH COMPLEX PSYCHIATRIC DISORDERS INCLUDING SCHIZOPHRENIA, SCHIZOAFFECTIVE DISORD ER OR ONE OF THE BIPOLAR DISORDERS WILL NOT BE INCLUDED OUTCOME GOAL MEASURE AVERAGE CHA NGE SCORE OF PHQ-9 BETWEEN INTAKE AND 12TH SESSION OR LATEST AVAILABLE SESSION BEFORE 12 W EEKS FY 12 TARGET 6 75 FY 12 RESULT 7 4 FY 12 ACCOMPLISHMENTS THROUGH THE IMPLEMENTATI ON OF STRATEGIES TO DECREASE THE # OF DAYS BETWEEN SCREENING AND INTAKE AND INCREASING THE % OF SESSIONS EACH QUARTER IN WHICH EVIDENCE BASED THERAPY MODALITIES WERE UTILIZED WE SU RPASSED OUR TARGET OF A 6 75 CHANGE SCORE ON THE PHQ-9 STRATEGY 1 PROVIDE TIMELY INTAKE STRATEGY MEASURE 1 NUMBER OF DAYS BETWEEN TELEPHONE SCREENING OR FACE-TO-FACE SCREENING A ND INTAKE FY 12 TARGET 6 5 DAYS FY 12 RESULT 6 1 DAYS FY 12 ACCOMPLISHMENTS OUR TARGET WAS 6 5 DAYS BETWEEN SCREENING AND INTAKE AND WE ENDED THE YEAR AT 6 1 DAYS WHICH WAS 4 L ESS THAN THE TARGET THIS IS A POSITIVE OUTCOME STRATEGY 2 ENGAGE CLIENTS IN AN APPROPRI ATE NUMBER OF SESSIONS FOR BENEFICIAL TREATMENT (BEGIN IN FY 13) STRATEGY MEASURE 2 PERCE NTAGE OF ALPHA PROJECT CLIENTS WHO ATTEND AT LEAST THREE (3) COUNSELING SESSIONS STRATEGY 3 ENGAGE CLIENTS IN A RANGE OF EVIDENCE BASED DEPRESSION TREATMENT MODALITIES INCLUDING CBT, IPT, PST & DIALECTICAL THERAPY STRATEGY MEASURE 3 PERCENT OF SESSIONS EACH QUARTER I N WHICH EVIDENCE BASED THERAPY MODALITIES ARE UTILIZED FY 12 TARGET 90% FY 12 RESULT 90% FY 12 ACCOMPLISHMENTS WE MET OUR TARGET OF 90% FOR FY12 COVENANT'S COMMUNITY HEALTH OUTR EACH ORAL HEALTH PROVIDED DENTAL SERVICES TO 1,607 ADULT/ED PATIENTS AND 560 CHILDREN PAT IENT ENCOUNTERS TOTALED 2,705 THE COMMUNITY BENEFIT BOARD APPROVED $1 5 MILLION TO REMODE L THE CHILDREN'S DENTISTRY BUILDING TO ACCOMMODATE THE TRANSITION TO A FAMILY DENTISTRY PR OGRAM INITIATIVE NAME ORAL HEALTH INITIATIVE (FAMILY DENTISTRY PROGRAM) KEY COMMUNITY PA RTNER(S) CHCL, LARRY COMBEST CENTER, BOYS AND GIRLS CLUB, TTUHSC, LUBBOCK IMPACT, LUBBOCK CHILDREN'S HEALTH CLINIC, AND HEAD START TARGET POPULATION LOW INCOME DENTAL PATIENTS AG ES 6 AND OVER OUTCOME GOAL IMPROVE THE ORAL HEALTH OF THE VULNERABLE POPULATIONS WITHIN T HE COMMUNITIES WE SERVE SCOPE CHO DENTAL PATIENTS AGES 6 AND OVER OUTCOME GOAL MEASURE A VERAGE CHANGE SCORE ON ORAL HEALTH ASSESSMENT TOOL BETWEEN BEGINNING TREATMENT PLAN AND 6 MONTH EVALUATION FY 12 TARGET 10 7 AVERAGE CHANGE

Identifier	Return Reference	Explanation
INITIATIVE OR PROGRAM NAME NURSING AND RADIOLOGY STUDENTS		SCORE ON DMFT ASSESSMENT FY 12 RESULT 7 FY 12 ACCOMPLISHMENTS IN FY12 WE COLLECTED BASE LINE DATA AND SET OUR TARGETS WE SET THE FY12 AT 10 7 HOWEVER WE SURPASSED THAT TARGET AT THE END OF THE YEAR BY ENDING AT 7 STRATEGY 1 PROVIDE TIMELY IN HOUSE EMERGENCY DENTAL SERVICES STRATEGY MEASURE 1 PERCENT OF PATIENTS WITH URGENT/EMERGENT DENTAL NEEDS TREATED IN THE CHO DENTAL PROGRAM WITHIN 10 DAYS OF INITIAL CONTACT FY 12 TARGET 63% FY 12 RESU LT 75% FY 12 ACCOMPLISHMENTS IN FY12 WE WERE 12% ABOVE OUR TARGET THIS IS A POSITIVE OU TCOME FOR THE DENTAL PROGRAM STRATEGY 2 STRENGTHEN PATIENT'S KNOWLEDGE AND SKILLS ABOUT ORAL HYGIENE STRATEGY MEASURE 2 PERCENT OF PATIENTS WHO REPORT INCREASED KNOWLEDGE AND SK ILLS IMPLEMENTATION HAS BEGUN, BASELINE IS CURRENTLY BEING ESTABLISHED THE DIABETES EDUCA TION SERVICES PARTNERED WITH CATHOLIC CHARITIES TO FURTHER EXTEND THIS PROGRAM'S OUTREACH TO THOSE WHO ARE NEED OF DIABETES EDUCATION AND SUPPORT INITIATIVE NAME DIABETES PREVENT ION AND INTERVENTION PROGRAM KEY COMMUNITY PARTNER(S) THE LARRY COMBEST CENTER, LUTHERAN SOCIAL SERVICES, CATHOLIC CHARITIES, AND CHCL TARGET POPULATION LOW INCOME PERSONS WITH D IABETES OUTCOME GOAL EDUCATE ECONOMICALLY DISADVANTAGED PATIENTS WITH DIABETES TO HELP MA NAGE THEIR DISEASE SCOPE PATIENTS ENROLLED IN THE COVENANT COMMUNITY OUTREACH DIABETES ED UCATION PROGRAM OUTCOME GOAL MEASURE AVERAGE CHANGE SCORE BETWEEN FIRST AND THIRD CLASS O N SELF EFFICACY ASSESSMENT TOOL FY12 TARGET 34% FY12 RESULT 37% FY12 ACCOMPLISHMENTS IN FY12 WE COLLECTED BASELINE DATA AND MEASURED ONE QUARTER OF DATA OUR GOAL WAS 34% AND WE ENDED AT 37% WHICH IS AN ACCOMPLISHMENT OF 3% ABOVE OUR GOAL STRATEGY 1 ENGAGE PATIENTS IN GROUP INTERVENTIONS STRATEGY MEASURE 1 PERCENTAGE OF PATIENTS COMPLETING AT LEAST 3 D IABETES GROUP CLASSES FY 12 TARGET 76% FY 12 RESULT 78% FY 12 ACCOMPLISHMENTS WE SURPAS SED OUR TARGET BY 2% IN FY12 COLLABORATE WITH OTHER DEPARTMENTS WITHIN COVENANT AND OTHER FQHCS TO PROVIDE ASSISTANCE TO THE UNDERSERVED AND FINANCIALLY VULNERABLE POPULATIONS TO HELP REMOVE ACCESS TO CARE BARRIERS INITIATIVE NAME MEDICAL HOME MANAGEMENT (ACCESS TO C ARE) KEY COMMUNITY PARTNER(S) LARRY COMBEST CENTER AND COMMUNITY HEALTH CENTER OF LUBBOCK TARGET POPULATION MEDICALLY UNDERSERVED AND FINANCIALLY IN NEED INDIVIDUALS OUTCOME GOAL PROVIDE ASSISTANCE TO UNDERSERVED AND FINANCIALLY VULNERABLE COMMUNITY MEMBERS IN ORDER TO HELP REMOVE ACCESS TO CARE BARRIERS SCOPE UN-INSURED AND UNDER-INSURED COMMUNITY MEMBE RS WHO UTILIZE THE EMERGENCY ROOM FOR NON-EMERGENT ISSUES AND WHO HAVE CHRONIC HEALTH COND ITIONS WHICH ARE NOT MANAGED ON AN OUT-PATIENT BASIS OUTCOME MEASURE MEDICAL HOME ELEMENT S IMPLEMENTED COVENANT WILL PROVIDE FINANCIAL SUPPORT TO TEXAS TECH UNIVERSITY CENTER FOR PREVENTION AND RESILIENCY TO FUND CBMI WHICH IS A LONGITUDINAL STUDY MEASURING THE EFFECTI VENESS OF A PREVENTION AND INTERVENTION PROGRAM THAT IMPACTS CHILDHOOD OBESITY THOSE PERF ORMING THE STUDY WILL PROVIDE THE CB COMMITTEE WITH QUARTERLY UPDATES ON STRATEGY AND MEAS URES INITIATIVE NAME COVENANT BODY MIND INITIATIVE (CBMI) KEY COMMUNITY PARTNER(S) TEXA S TECH UNIVERSITY CENTER FOR PREVENTION AND RESILIENCY, LUBBOCK INDEPENDENT SCHOOL DISTRIC T, AND CHRIST THE KING CATHEDRAL SCHOOL TARGET POPULATION MIDDLE AND HIGH SCHOOL STUDENTS IN LUBBOCK, TEXAS AND THE SURROUNDING AREA GOAL SIGNIFICANT REDUCTION IN THE PREVALENCE OF CHILDHOOD OBESITY IN LUBBOCK COUNTY AND OVERALL IMPROVEMENT IN THE HEALTH AND WELLNESS OF PROJECT PARTICIPANTS WITHIN THE NEXT 10 YEARS HOW WILL WE MEASURE SUCCESS? BY ASSESSI NG A LONGITUDINAL STUDY MEASURING THE EFFECTIVENESS OF PREVENTION AND INTERVENTION PROGRAM S THAT IMPACTS CHILDHOOD OBESITY

Identifier	Return Reference	Explanation
FINANCIAL ASSISTANCE PROGRAM		WE BELIEVE THAT NO ONE SHOULD DELAY SEEKING NEEDED MEDICAL CARE BECAUSE THEY LACK HEALTH INSURANCE. THAT IS WHY COVENANT HEALTH, HAS A PATIENT FINANCIAL ASSISTANCE PROGRAM THAT PROVIDES FREE AND/OR DISCOUNTED SERVICES TO ELIGIBLE PATIENTS. FACTORS USED IN DETERMINING ELIGIBILITY FOR PATIENT FINANCIAL ASSISTANCE INCLUDE INCOME LEVEL, ASSET LEVEL, AND MEDICAL INDIGENCE. FOR MORE INFORMATION ABOUT COVENANT HEALTH, PLEASE VISIT WWW.COVENANTHEALTH.ORG. FOR MORE INFORMATION ABOUT ST. JOSEPH HEALTH SYSTEM, PLEASE VISIT WWW.STJHS.ORG

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PART VI, LINE 6	ST JOSEPH HEALTH SYSTEM AND LUBBOCK METHODIST HOSPITAL SYSTEM ARE THE CORPORATE MEMBERS OF COVENANT HEALTH SYSTEM

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	FORM 990, PART VI, LINE 7A	COVENANT HEALTH SYSTEM HAS A TIERED GOVERNANCE IN WHICH THE CORPORATE MEMBERS RESERVE THE RIGHT TO APPOINT TRUSTEES TO THE COVENANT HEALTH SYSTEM BOARD ALL TRUSTEE APPOINTMENTS THAT COME FROM THE COVENANT HEALTH SYSTEM BOARD AS NOMINATIONS MUST BE APPROVED BY THE ST JOSEPH HEALTH SYSTEM, AS THE CORPORATE MEMBER, AND THE ST JOSEPH HEALTH MINISTRY, AS THE ORGANIZATIONAL SPONSOR THE ST JOSEPH HEALTH SYSTEM MEMBER APPROVES 50% OF THE BOARD NOMINATIONS, PLUS THE VOTING CEO THE LUBBOCK METHODIST HEALTH SYSTEM MEMBER APPROVES THE OTHER 50% OF BOARD NOMINATIONS

Identifier	Return Reference	Explanation
DECISIONS REQUIRING APPROVAL	FORM 990, PART VI, LINE 7B	THE RESERVED RIGHTS IN OUR TIERED GOVERNANCE STRUCTURE CONTEMPLATE APPROVAL BY THE ST JOSEPH 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 BYLAWS

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

Identifier	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 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 TO THE BOARD FOR DISCUSSION AND VOTE.

Identifier	Return Reference	Explanation
PROCESS USED TO DETERMINE COMPENSATION	FORM 990, PART VI, LINES 15A AND 15B	THE ORGANIZATION'S CHIEF EXECUTIVE OFFICER IS PAID BY ITS TAX EXEMPT PARENT, ST JOSEPH 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 COMPRISED 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

Identifier	Return Reference	Explanation
AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC	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 AUDITED FINANCIAL STATEMENTS ARE ATTACHED TO THE FORM 990

Identifier	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

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 5	NONOPERATING UNREALIZED LOSSES $ (9,996,857) NET CHANGE IN EQUITY TRANSFER $ (2,906,921) ---------- TOTAL $(12,903,778) ==========

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

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
COVENANT HEALTH SYSTEM

Employer identification number
75-2765566

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) CHS HOLDING GP LLC 4000 24TH STREET LUBBOCK, TX 79410 20-5477307	HEALTHCARE	TX	0	0	CHS
(2) COVENANT LTC-GP LLC 4000 24TH STREET LUBBOCK, TX 79410 20-5477333	HEALTHCARE	TX	0	0	CHS
(3) CHS HOLDING LP 4000 24TH ST LUBBOCK LUBBOCK, TX 79410 20-5477251	HEALTHCARE	TX	0	0	CHS

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

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

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

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

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

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

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

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

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

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

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

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

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

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
IDENTIFICATION OF RELATED ORGANIZATIONS TAXABLE AS A PARTNERSHIP	SCHEDULE R, PART III	ST JOSEPH HEALTH SYSTEM HOME HEALTH AGENCY EIN 33-0282945 ADDRESS 1845 W ORANGEWOOD AVENUE, STE 200 ORANGE, CA 92868-2012 ST JOSEPH HEALTH SYSTEM HOME CARE SERVICES EIN 33-0307672 ADDRESS 1845 W ORANGEWOOD AVENUE, STE 100 ORANGE, CA 92868-2012 METHODIST DIAGNOSTIC IMAGING EIN 75-2343261 ADDRESS 4005 24TH STREET LUBBOCK, TX 79410 SHA, LLC EIN 75-2569094 ADDRESS 12940 NORTH HIGHWAY 183 AUSTIN, TX 78750 LUBBOCK SURGERY CENTER, LTD EIN 75-2177401 ADDRESS 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 3345 MICHELSON DR, STE 100 IRVINE, CA 92612 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 ORANGE, CA 92868 ST JOSEPH PHYSICIAN VENTURES I, LLC EIN 45-4521884 ADDRESS 1100 WEST STEWART DRIVE ORANGE, CA 92868

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 75-2765566
Name: COVENANT HEALTH SYSTEM

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
COVENANT HEALTH PARTNERS 3615 19TH STREET LUBBOCK, TX 79410 61-1573313	HEALTHCARE	TX	501(C)(3)	11, I	CHS	Yes	
COVENANT HEALTH SYSTEM FOUNDATION 4000 24TH STREET LUBBOCK, TX 79410 75-2897026	HEALTHCARE	TX	501(C)(3)	7	CHS	Yes	
COVENANT MEDICAL GROUP 3420 22ND PLACE LUBBOCK, TX 79410 75-2743883	HEALTHCARE	TX	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	TX	501(C)(3)	9	CHS	Yes	
LUBBOCK METHODIST HOSPITAL FOUNDATION 3615 19TH STREET LUBBOCK, TX 79410 75-2220963	HEALTHCARE	TX	501(C)(3)	7	CHS	Yes	
METHODIST CHILDREN'S HOSPITAL 3610 21ST STREET LUBBOCK, TX 79410 75-2428911	HEALTHCARE	TX	501(C)(3)	3	CHS	Yes	
METHODIST HOSPITAL LEVELLAND 1900 COLLEGE AVENUE LEVELLAND, TX 79336 75-2246348	HEALTHCARE	TX	501(C)(3)	3	CHS	Yes	
METHODIST HOSPITAL PLAINVIEW 2601 DIMMITT ROAD PLAINVIEW, TX 79072 75-2426010	HEALTHCARE	TX	501(C)(3)	3	CHS	Yes	
MISSION HOSPITAL REG MED CTR FDN 27700 MEDICAL CENTER ROAD MISSION VIEJO, CA 92691 33-0406118	HEALTHCARE	CA	501(C)(3)	7	MHRMC	Yes	
MISSION HOSPITAL REGIONAL MEDICAL CENTER 27700 MEDICAL CENTER ROAD MISSION VIEJO, CA 92691 95-1643360	HEALTHCARE	CA	501(C)(3)	3	SJHS	Yes	
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	CA	501(C)(3)	7	RMH	Yes	
REDWOOD MEMORIAL HOSPITAL 3300 RENNER DRIVE FORTUNA, CA 95540 94-1384665	HEALTHCARE	CA	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	CA	501(C)(3)	1	NA		No
SRM ALLIANCE HOSPITAL SERVICES 400 NORTH MCDOWELL BLVD PETALUMA, CA 94954 68-0395200	HEALTHCARE	CA	501(C)(3)	3	SRMH	Yes	
ST JOSEPH HEALTH FDN OF N CALIFORNIA PO BOX 552 SANTA ROSA, CA 95405 68-0338070	INACTIVE	CA	501(C)(3)	11, I	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, I	SJHM		No

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
ST JOSEPH HEALTH SYSTEM FOUNDATION 3345 MICHELSON DR STE 100 IRVINE, CA 92612 33-0143024	HEALTHCARE	CA	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	CA	501(C)(3)	3	SJHS	Yes	
ST JUDE HOSPITAL INC 101 EAST VALENCIA MESA DRIVE FULLERTON, CA 92835 95-1643325	HEALTHCARE	CA	501(C)(3)	3	SJHS	Yes	
ST JUDE MEMORIAL FOUNDATION 1440 N HARBOR BLVD 200 FULLERTON, CA 92835 95-3607229	HEALTHCARE	CA	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	TX	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	SSJO	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 ($)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
ST JOSEPH HLTH SYS HOME HLTH AGENCY 1845 W ORANGEWOOD AVENUE STE 200 ORANGE, CA 928682012 33-0282945	HOME HEALTH	CA	NA	N/A								0 %
ST JOSEPH HLTH SYS HOME CARE SVCS 1845 W ORANGEWOOD AVE STE 100 ORANGE, CA 928682012 33-0307672	HOME HEALTH	CA	NA	N/A								0 %
METHODIST DIAGNOSTIC IMAGING 4005 24TH STREET LUBBOCK, TX 79410 75-2343261	HEALTHCARE SVCS	TX	NA	N/A								0 %
SHA LLC 12940 NORTH HIGHWAY 183 AUSTIN, TX 78750 75-2569094	HEALTHCARE SVCS	TX	NA	N/A								0 %
LUBBOCK SURGERY CENTER LTD 4000 24TH STREET LUBBOCK, TX 79410 75-2177401	HEALTHCARE SVCS	TX	NA	N/A								0 %
COVENANT LONG-TERM CARE LP 4000 24TH STREET LUBBOCK, TX 79410 20-5033419	HEALTHCARE SVCS	TX	NA	N/A								0 %
HERITAGE INVESTMENT GROUP 3345 MICHELSON DR STE 100 IRVINE, CA 92612 27-1000061	INVESTMENT	CA	NA	N/A								0 %
MISSION AMBULATORY SURGICENTER LTD 26730 CROWN VALLEY PKWY 1 ST FL MISSION VIEJO, CA 92691 33-0355575	HEALTHCARE SVCS	CA	NA	N/A								0 %
COMPREHENSIVE IMAGING PARTNERS OF OCLLC 1 CITY BOULEVARD WEST 1110 ORANGE, CA 92868 26-4591502	HEALTHCARE SVCS	CA	NA	N/A								0 %
ST JOSEPH PHYSICIAN VENTURES I LLC 1100 WEST STEWART DRIVE ORANGE, CA 92868 45-4521884	REAL ESTATE	CA	NA	N/A								0 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Percentage ownership
ST JOSEPH PROF SVCS ENTERPRISES INC 3345 MICHELSON DR STE 100 IRVINE, CA 92612 33-0155323	HEALTHCARE SVCS	CA	NA	C CORP			0 %
AMERICAN UNITY GROUP LTD 500 S MAIN STREET SUITE 700 ORANGE, CA 92868	CAPTIVE INSURANCE	BD	NA	C-CORP			0 %
ALLIANCE PHYSICIAN SERVICES	INACTIVE	CA	NA	C-CORP			0 %
MISSION VIEJO MEDICAL VENTURES 27800 MEDICAL CENTER RD 354 MISSION VIEJO, CA 92691 33-0212905	HEALTHCARE SVCS	TX	NA	C CORP			0 %
MISSION MEDICAL CENTER ASSOCIATION 27800 MEDICAL CENTER RD 354 MISSION VIEJO, CA 92691 33-0201044	HEALTHCARE SVCS	CA	NA	C CORP			0 %
ST JOSEPH YORBA PARK	INACTIVE	CA	NA	C CORP			0 %
LUBBOCK METHODIST HOSPITAL SVCS PO BOX 1201 LUBBOCK, TX 79410 75-2118585	HEALTHCARE SVCS	TX	CHS	C CORP	3,678,666	44,599,875	100 000 %
LUBBOCK METHODIST HOSP PRACTICE MGMT 2107 OXFORD STREET SUITE 300 LUBBOCK, TX 79410 75-2578995	INACTIVE	TX	CHS	C CORP	0	0	100 000 %

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	AMERICAN UNITY GROUP LTD	Q	1,285,843	ACCRUAL
(2)	COVENANT HEALTH PARTNERS	L	1,720,765	ACCRUAL
(3)	COVENANT HEALTH PARTNERS	N	203,466	ACCRUAL
(4)	COVENANT HEALTH PARTNERS	O	192,950	ACCRUAL
(5)	COVENANT HEALTH PARTNERS	Q	378,792	ACCRUAL
(6)	COVENANT HEALTH PARTNERS	R	267,118	ACCRUAL
(7)	COVENANT HEALTH SYSTEM FOUNDATION	C	1,954,116	ACCRUAL
(8)	COVENANT HEALTH SYSTEM FOUNDATION	N	93,331	ACCRUAL
(9)	COVENANT HEALTH SYSTEM FOUNDATION	Q	1,083,510	ACCRUAL
(10)	COVENANT HEALTH SYSTEM FOUNDATION	R	934,939	ACCRUAL
(11)	COVENANT MEDICAL GROUP	J	4,691,926	ACCRUAL
(12)	COVENANT MEDICAL GROUP	L	11,264,399	ACCRUAL
(13)	COVENANT MEDICAL GROUP	N	496,061	ACCRUAL
(14)	COVENANT MEDICAL GROUP	Q	16,971,453	ACCRUAL
(15)	COVENANT MEDICAL GROUP	R	51,939,671	ACCRUAL
(16)	HOSPICE OF LUBBOCK	N	223,725	ACCRUAL
(17)	HOSPICE OF LUBBOCK	Q	1,798,123	ACCRUAL
(18)	HOSPICE OF LUBBOCK	R	1,617,111	ACCRUAL
(19)	METHODIST CHILDREN'S HOSPITAL	N	692,083	ACCRUAL
(20)	METHODIST CHILDREN'S HOSPITAL	Q	63,012,352	ACCRUAL

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(21)	METHODIST CHILDREN'S HOSPITAL	R	50,545,788	ACCRUAL
(22)	METHODIST HOSPITAL LEVELLAND	Q	5,656,209	ACCRUAL
(23)	METHODIST HOSPITAL LEVELLAND	R	5,313,893	ACCRUAL
(24)	METHODIST HOSPITAL PLAINVIEW	N	55,433	ACCRUAL
(25)	METHODIST HOSPITAL PLAINVIEW	Q	10,499,246	ACCRUAL
(26)	METHODIST HOSPITAL PLAINVIEW	R	9,161,799	ACCRUAL
(27)	ST JOSEPH HEALTH SYSTEM FOUNDATION	B	3,688,900	ACCRUAL
(28)	ST JOSEPH HEALTH SYSTEM FOUNDATION	C	1,917,503	ACCRUAL

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

St Joseph Health System and Affiliates,
A St Joseph Health Ministry Corporation
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Audited Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2012 and 2011

Contents

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www ey com

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

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidated Balance Sheets
(In Thousands)

	June 30 2012	June 30 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
Payable to third-party payors	**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

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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

	Year Ended June 30	
	2012	**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

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended June 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)
Accrued liabilities	**63,203**	63,974
Payable to third-party payors	**(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

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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

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)

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

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

	June 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

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

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

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

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 Thousands)	
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

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

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

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

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

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

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)

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

2. Fair Value Measurements (continued)

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

	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Valuation Technique (a,b,c)
			(In Thousands)				
Current assets							
Cash and equivalents	$ 199,940	$ 199,940	$ –	$ –	$ 199,940	$ –	a
Short-term marketable securities							
Money market funds	$ 12,813	$ 6,499	$ 6,314	$ –	$ 12,813	$ –	a
U S Treasury securities	318,948	7,912	311,036	–	318,948	–	a
Corporate debt securities	212,446	20,184	192,262	–	212,446	–	a,c
Corporate equity securities	240,604	240,604	–	–	240,604	–	a
	$ 784,811	$ 275,199	$ 509,612	$ –	$ 784,811	$ –	
Long-term marketable securities							
Money market funds	$ 53,984	$ 14,541	$ 39,443	$ –	$ 53,984	$ –	a
U S Treasury securities	142,388	342	142,046	–	142,388	–	a
Corporate debt securities	79,863	–	77,888	1,975	79,863	–	a
Corporate equity securities	421,568	417,402	4,166	–	421,568	–	a
Other	238,684	–	–	–	–	238,684	
	$ 936,487	$ 432,285	$ 263,543	$ 1,975	$ 697,803	$ 238,684	
Assets limited as to use							
Board designated							
Money market funds	$ 93,749	$ 93,749	$ –	$ –	$ 93,749	$ –	a
U S Treasury securities	8,932	–	8,932	–	8,932	–	a
Corporate debt securities	51,242	–	51,242	–	51,242	–	a
Corporate equity securities	32,986	32,986	–	–	32,986	–	a
Other	1,358	–	–	–	–	1,358	
	$ 188,267	$ 126,735	$ 60,174	–	$ 186,909	$ 1,358	
Held in trust							
Money market funds	$ 194,505	$ 183,583	$ 10,922	$ –	$ 194,505	$ –	a
U S Treasury securities	–	–	–	–	–	–	a
Corporate debt securities	254	254	–	–	254	–	a
Corporate equity securities	1,307	1,307	–	–	1,307	–	a
	$ 196,066	$ 185,144	$ 10,922	$ –	$ 196,066	$ –	
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

2. Fair Value Measurements (continued)

	June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Method Investments	Equity Method Investments	Valuation Technique (a,b,c)
			(In Thousands)				
Current assets							
Cash and equivalents	$ 250,712	$ 250,712	$ –	$ –	$ 250,712	$ –	a
Short-term marketable securities							
Money market funds	$ 33,562	$ 16,819	$ 16,743	$ –	$ 33,562	$ –	a
U.S. Treasury securities	260,355	32,794	227,561	–	260,355	–	a
Corporate debt securities	203,994	18,294	185,449	251	203,994	–	a,c
Corporate equity securities	217,619	217,619	–	–	217,619	–	a
	$ 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	–	a
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	$ 10,339	$ –	$ 10,339	$ –	$ 10,339	$ –	a
Liabilities							
Interest rate swaps	$ 44,964	$ –	$ 44,964	$ –	$ 44,964	$ –	c

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)

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

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

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

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 Thousands)	
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**	–

5. Long-Term Debt (continued)

	2012	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)
	$ 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

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

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

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

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

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

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

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 Thousands)	
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	$ **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

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	**3.65%**	4 85%
Weighted-average discount rate for net periodic benefit 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

	Year Ended June 30	
	2012	**2011**
	(In Thousands)	
Health care services	**$ 3,494,233**	$ 3,201,953
General and administrative	**739,442**	829,650
	$ 4,233,675	$ 4,031,603

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 Community Benefit Expense, at Cost		Direct	Unsponsored Community Benefit Expense, at Cost	
2012	Amount	% of Total Expenses	Offsetting Revenue	Amount	% of Total Expenses
			(In Thousands)		
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	34,277	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%

11. Charity Care and Community Benefits (continued)

2011	Total Community Benefit Expense, at Cost		Direct Offsetting Revenue	Unsponsored Community Benefit Expense, at Cost	
	Amount	% of Total Expenses		Amount	% of Total Expenses
			(In Thousands)		
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	14 6%	$ 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

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

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)

2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	**$ 19,074**	**$ 4,897**	**$ –**	**$ 23,971**
Donor-restricted endowment funds	**–**	**717**	**9,601**	**10,318**
Total funds	**$ 19,074**	**$ 5,614**	**$ 9,601**	**$ 34,289**

2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 19,595	$ 3,672	$ –	$ 23,267
Donor-restricted endowment funds	–	531	7,483	8,014
Total funds	$ 19,595	$ 4,203	$ 7,483	$ 31,281

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 Restricted**	**Permanently Restricted**	**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	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, July 1, 2010	$ 14,821	$ 3,517	$ 7,246	$ 25,584
Realized investment gains (losses)	1,557	33	(556)	1,034
Unrealized gains	2,790	679	–	3,469
Contributions, net	1,207	102	805	2,114
Appropriation of endowment assets for expenditure	(780)	(128)	(12)	(920)
Endowment net assets, June 30, 2011	$ 19,595	$ 4,203	$ 7,483	$ 31,281

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

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

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

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

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

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet
(In Thousands)

June 30, 2012

	Consolidated	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	$ 190 940	$ (22 368)	$ 184 772	$ 5 960	$ –	$ 2 980	$ 1 767	$ 21 500	$ 5 311	$ 90 350	$ 100 590
Short-term marketable securities	784 811	–	725 322	–	–	–	–	–	59 489	686 206	98 515
Patient accounts receivable less allowance for doubtful accounts	485 490	–	485 490	–	–	–	–	–	–	437 211	48 288
Inventories and other	174 030	–	172 997	1 117	–	91	–	154	1	158 720	15 310
Total current assets	1 644 280	(22 368)	1 568 290	7 086	–	3 050	1 767	21 654	64 801	1 381 577	262 703
Long-term marketable securities	936 487	–	874 484	62 003	–	–	–	–	–	824 984	111 503
Assets limited as to use											
Board designated	188 267	–	161 038	–	–	–	–	–	27 229	147 106	41 161
Held in trust	196 066	–	196 066	–	–	–	–	–	–	180 967	6 099
Total assets limited as to use	384 333	–	357 104	–	–	–	–	–	27 229	337 073	47 260
Property and equipment net	2 388 782	(24 982)	2 388 768	–	12 257	12 614	60	65	–	2 319 963	68 819
Investments and other	55 042	(37 872)	74 735	322	10 513	7 344	–	–	–	92 324	(37 282)
Collateral held for swap counterparty	40 402	–	40 402	–	–	–	–	–	–	40 402	–
Notes receivable	4 711	–	4 711	–	–	–	–	–	–	4 711	–
Deferred financing costs net	20 781	–	20 781	–	–	–	–	–	–	20 781	–
Goodwill and other intangibles net	42 280	(5 524)	47 804	–	–	–	–	–	–	15 527	26 753
	163 216	(43 396)	188 433	322	10 513	7 344	–	–	–	173 745	(10 529)
Total assets	$ 5,517,098	$ (90,746)	$ 5,377,070	$ 69,411	$ 22,770	$ 23,008	$ 1,827	$ 21,719	$ 92,030	$ 5,037,342	$ 479,756
Liabilities and net assets (deficit)											
Current liabilities											
Accounts payable	$ 121 428	$ (193)	$ 119 950	$ 801	$ –	$ –	$ –	$ 870	$ –	$ 107 395	$ 14 033
Accrued compensation and related liabilities	234 086	–	227 258	–	–	–	6 334	494	–	211 376	22 710
Accrued liabilities	292 230	(1 502)	273 540	18 167	–	1 914	101	1	–	194 066	98 164
Payable to third-party payors	64 045	–	64 045	–	–	–	–	–	–	62 005	2 040
Current maturities of long-term debt	30 238	–	30 238	–	–	–	–	–	–	30 098	140
Total current liabilities	751 027	(1 695)	724 040	18 968	–	1 914	6 435	1 365	–	613 940	137 087
Interest rate swaps	72 629	–	72 629	–	–	–	–	–	–	72 629	–
Other liabilities	178 597	–	167 056	11 535	6	–	–	–	–	144 710	33 887
Notes payable and interest due (from) to affiliates	–	(22 503)	14 767	113	(2 228)	14 725	(344)	333	(4 863)	(116 969)	116 969
Long-term debt less current maturities	1 633 784	(37 873)	1 651 535	–	20 122	–	–	–	–	1 630 227	3 557
Total liabilities	2 636 037	(62 071)	2 630 027	30 616	17 900	16 639	6 091	1 698	(4 863)	2 344 537	291 500
Net assets (deficit)											
Controlling interest	2 845 141	(31 846)	2 714 303	38 795	4 870	6 369	(4 264)	20 021	96 893	2 692 805	152 336
Noncontrolling interests in subsidiaries	35 920	3 171	32 740	–	–	–	–	–	–	–	35 920
	2 881 061	(28 675)	2 747 052	38 795	4 870	6 369	(4 264)	20 021	96 893	2 692 805	188 256
Total liabilities and net assets	$ 5,517,098	$ (90,746)	$ 5,377,070	$ 69,411	$ 22,770	$ 23,008	$ 1,827	$ 21,719	$ 92,030	$ 5,037,342	$ 479,756

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Regional Entities
(In Thousands)

June 30, 2012

	Total Regional	Eliminations	Southern California	Northern California	Texas Region	System Office
Assets						
Current assets						
Cash and equivalents	$ 184,772	$ (31,344)	$ 58,785	$ 29,274	$ 102,225	$ 25,832
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	20,154	7,727
Total current assets	1,568,290	(31,344)	746,384	404,850	334,462	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	–	–
	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	$ 24,858	$ 18,127	$ 7,945
Accrued compensation and related liabilities	227,258	–	90,644	55,459	34,530	46,625
Accrued liabilities	273,549	–	76,635	29,076	70,695	97,143
Payable to third-party payors	64,045	–	34,094	20,395	9,556	–
Current maturities of long-term debt	39,238	(29,865)	13,849	3,604	13,070	38,580
Total current liabilities	724,040	(29,867)	284,244	133,392	145,978	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	(13,948)	(1,436,852)
Long-term debt, less current maturities	1,651,535	(1,366,043)	961,454	337,412	161,130	1,557,582
Total liabilities	2,630,027	(31,344)	1,317,078	516,873	322,948	504,472
Net assets (deficit)						
Controlling interest	2,714,303	2,365	1,609,340	645,614	474,125	(17,141)
Noncontrolling interests in subsidiaries	32,749	–	12,450	–	20,299	–
	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	$ 1,162,487	$ 817,372	$ 487,331

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Southern California Region
(In Thousands)

June 30, 2012

	Southern California Region	Eliminations	St Joseph Orange	St. Jude Medical Center	Mission Hospital	St Mary Medical Center	Heritage Foundation Southern California	St. Joseph Imaging	St Joseph Physician Ventures	Mission Ambulatory Services	Mission Viejo Medical Ventures	Mission Education Conference Center	St Joseph Home Health South
Assets													
Current assets													
Cash and equivalents	$ 58 785	$ –	$ –	$ 13 916	$ 16 634	$ 7 624	$ 11 106	$ 5	$ 6 805	$ 2 264	$ 251	$ 180	$ –
Short-term marketable securities	350 725	–	73 552	131 793	101 614	29 501	14 265	–	–	–	–	–	–
Patient accounts receivable less 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	–	47 915	–	–	–	–	–	–	–
Assets limited as to use													
Board designated	142 081	–	53 194	16 991	69 390	650	1 856	–	–	–	–	–	–
Held in trust	65 023	–	2 873	62 150	–	–	–	–	–	–	–	–	–
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	67 222	1 295	20 456	880	–	5 960	4 195
Investments and other	24 639	(30 693)	15 122	6 409	29 885	1 659	1 448	758	–	–	51	–	–
Notes receivable	4 485	–	4 485	–	–	–	–	–	–	–	–	–	–
Deferred financing costs net	12 938	–	5 038	4 598	2 860	442	–	–	–	–	–	–	–
Goodwill and other intangibles net	46 996	29 969	–	1 002	13 717	–	–	–	2 308	–	–	–	–
	89 058	(724)	24 645	12 009	46 462	2 101	1 448	758	2 308	–	51	–	–
Total 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
Liabilities and net assets (deficit)													
Current liabilities													
Accounts payable	$ 69 022	$ (4)	$ 26 423	$ 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	1 441	–	–	–	–	–	–
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

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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	$ –	$ 3 309	$ 597	$ –	$ 161	$ 6 719
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	$ 9 807	$ 1 772	$ 4 609	$ 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 debt	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	$ 1 162 487	$ –	$ 429 748	$ 364 398	$ 34 984	$ 252 406	$ 54 612	$ 7 762	$ 1 121	$ 2 479	$ 14 977

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Texas Region
(In Thousands)

June 30, 2012

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Assets															
Current assets															
Cash and equivalents	$ 102 225	$ –	$ 32 844	$ 3 667	$ 8 381	$ 1 134	$ 1 881	$ –	$ 553	$ 666	$ 1 788	$ 1 304	$ 35 873	$ 9 863	$ 4 271
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	–	77 716	1 953	4 916	3 177	7 222	–	2 020	483	715	–	8 725	–	–
Inventories and other	20 154	–	13 975	328	318	177	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	177 296	–	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	–	7 718	2 125	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	$ 817 372	$ (39 582)	$ 589 003	$ 12 061	$ 21 456	$ 5 729	$ 29 165	$ 434	$ 6 764	$ 1 572	$ 4 394	$ 1 626	$ 111 922	$ 44 600	$ 28 228
Liabilities and net assets (deficit)															
Current liabilities															
Accounts payable	$ 18 127	$ –	$ 14 307	$ 527	$ 1 257	$ 92	$ 303	$ –	$ 167	$ 59	$ 149	$ 3	$ 164	$ –	$ 1 099
Accrued compensation and related liabilities	34 530	–	24 619	629	894	531	4 701	–	161	160	120	835	1 863	–	17
Accrued liabilities	70 695	–	7 951	–	–	109	1 056	–	–	39	–	–	60 463	797	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	797	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	474	56 798	–	203	–	108	(2 946)	–	37 473	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	377	(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	3 734	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)	–	6 233	1 314	4 017	3 734	47 072	6 330	26 566
Total liabilities and net assets	$ 817 372	$ (39 582)	$ 589 003	$ 12 061	$ 21 456	$ 5 729	$ 29 165	$ 434	$ 6 764	$ 1 572	$ 4 394	$ 1 626	$ 111 922	$ 44 600	$ 28 228

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations
(In Thousands)

For the Year Ended June 30, 2012

	Consolidated	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
Revenues											
Patient service net of contractual allowances and discounts	$ 3 729 930	$ –	$ 3 729 930	$ –	$ –	$ –	$ –	$ –	$ –	$ 3 486 124	$ 243 806
Provision for doubtful accounts	221 400	–	221 400	–	–	–	–	–	–	207 004	14 396
Net patient service net of provision for doubtful accounts	3 508 530	–	3 508 530	–	–	–	–	–	–	3 279 120	229 410
Premium	740 468	–	740 468	–	–	–	–	–	–	141 604	598 864
Other	126 967	(29 944)	122 706	9 496	4 646	3 360	4 124	12 579	–	90 686	36 281
Total revenues	4 375 965	(29 944)	4 371 704	9 496	4 646	3 360	4 124	12 579	–	3 511 410	864 555
Expenses											
Compensation and benefits	1 965 285	(5 359)	1 955 969	–	–	–	9 316	5 359	–	1 699 196	266 089
Supplies and other	891 888	(9 786)	893 726	3 985	1 762	1 097	309	795	–	795 335	96 553
Professional fees and purchased services	1 086 164	(8 407)	1 087 553	184	23	32	375	6 404	–	555 102	531 062
Depreciation and amortization	189 424	(1 185)	189 589	–	648	336	36	–	–	179 838	9 586
Interest	100 914	(6 150)	103 781	–	2 431	852	–	–	–	100 653	261
Total expenses	4 233 675	(30 887)	4 230 618	4 169	4 864	2 317	10 036	12 558	–	3 330 124	903 551
Operating income (loss)	142 290	943	141 086	5 327	(218)	1 043	(5 912)	21	–	181 286	(38 996)
Nonoperating (losses) gains net	(20 560)	(19 523)	(27 743)	–	21 019	–	1	–	5 679	5 903	(26 463)
Excess (deficiency) of revenues over expenses	121 730	(18 580)	113 343	5 327	20 801	1 050	(5 911)	21	5 679	187 189	(65 459)
Less Excess of revenues over expenses attributable to noncontrolling interests	4 324	523	3 801	–	–	–	–	–	–	–	4 324
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 117 406	$ (19 103)	$ 109 542	$ 5 327	$ 20 801	$ 1 050	$ (5 911)	$ 21	$ 5 679	$ 187 189	$ (69 783)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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

For the Year Ended June 30, 2012

	Southern California Region	Eliminations	St Joseph Orange	St. Jude Medical Center	Mission Hospital	St Mary Medical Center	Heritage Foundation Southern California	St Joseph Imaging	St. Joseph Physician Ventures	Mission Ambulatory Services	Mission Viejo Medical Ventures	Mission Education Conference Center	St. Joseph Home Health South
Revenues													
Patient service net of contractual allowances and discounts	$ 1 970 680	$ –	$ 581 593	$ 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)	$ 14 401	$ 32 660	$ 37 798	$ 41 193	$ (17 444)	$ 165	$ 26	$ 3 383	$ (11)	$ 1 038	$ (940)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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	$ 995 927	$ (655)	$ 240 626	$ 378 036	$ 87 763	$ 206 119	$ 50 821	$ 23 050	$ 10 167	$ –	$ –
Provision for doubtful accounts	49 970	–	10 590	18 936	6 345	9 340	3 742	539	478	–	–
Net patient service net of provision for doubtful accounts	945 957	(655)	230 036	359 100	81 418	196 779	47 079	22 511	9 689	–	–
Premium	8 050	–	7 686	–	–	–	–	364	–	–	–
Other	19 166	(1 739)	5 889	6 982	1 538	1 626	742	4 128	–	–	–
Total revenues	973 173	(2 394)	243 611	366 082	82 956	198 405	47 821	27 003	9 689	–	–
Expenses											
Compensation and benefits	485 512	–	137 304	173 683	47 789	86 232	22 079	9 355	9 070	–	–
Supplies and other	194 688	–	51 827	70 528	14 687	45 494	5 576	5 133	1 443	–	–
Professional fees and purchased services	199 151	(1 718)	41 420	59 683	17 750	43 247	10 165	27 188	1 416	–	–
Depreciation and amortization	47 648	–	16 359	18 094	3 651	7 405	1 533	545	61	–	–
Interest	11 563	–	4 024	6 288	43	1 041	92	–	75	–	–
Total expenses	938 562	(1 718)	250 934	328 276	83 920	183 419	39 445	42 221	12 065	–	–
Operating income (loss)	34 611	(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	$ 38 247	$ –	$ (6 948)	$ 40 739	$ (923)	$ 14 186	$ 8 415	$ (15 216)	$ (2 360)	$ 70	$ 284

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Texas Region
(In Thousands)

For the Year Ended June 30, 2012

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Covenant 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	$ 763 323	$ (68 123)	$ 653 133	$ 21 850	$ 33 657	$ 16 880	$ 80 359	$ 12 567	$ 6 787	$ 6 213	$ –	$ –	$ –	$ –
Provision for doubtful accounts	69 434	–	52 508	2 179	4 842	426	8 566	294	519	100	–	–	–	–
Net patient service net of provision for doubtful accounts	693 889	(68 123)	600 625	19 671	28 815	16 454	71 793	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	3 674	957	1 265	71	9 597	730	–
Professional fees and purchased services	401 678	(85 088)	129 087	4 879	7 691	3 791	11 089	1 623	648	1 894	1 268	324 796	–	–
Depreciation and amortization	42 705	–	38 027	539	953	306	407	507	102	52	–	1 740	72	–
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	$ 1 518	$ (1 933)	$ (25 207)	$ 3 151	$ 2 475	$ 317	$ (301)	$ (1 218)	$ (640)	$ 266

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet
(In Thousands)

June 30, 2011

	Consolidated	Eliminations	Total 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
Assets										
Current assets										
Cash and equivalents	$ 250 712	$ (4 453)	$ 240 707	$ 4 043	$ 2 077	$ 2 035	$ 2 384	$ 3 859	$ 175 860	$ 74 852
Short-term marketable securities	715 530	–	660 196	–	–	–	–	55 334	621 972	93 558
Patient accounts receivable less allowance for doubtful accounts	455 273	–	455 273	–	–	–	–	–	407 831	47 442
Inventories and other	138 600	–	137 494	1 114	4	60	26	1	121 666	17 033
Total current assets	1 560 214	(4 453)	1 493 730	5 157	2 081	2 095	2 410	59 194	1 327 329	232 885
Long-term marketable securities	840 399	–	728 756	61 643	–	–	–	–	729 293	111 106
Assets limited as to use										
Board designated	174 329	–	146 843	–	–	–	–	27 486	136 128	38 201
Held in trust	65 118	–	65 118	–	–	–	–	–	63 282	1 836
Total assets limited as to use	239 447	–	211 961	–	–	–	–	27 486	199 410	40 037
Property and equipment net	2 241 317	(23 494)	2 238 868	–	12 905	12 946	92	–	2 173 962	67 355
Investments and other	67 169	(16 834)	66 696	430	6 936	6 892	–	40	76 261	(9 092)
Collateral held for swap counterparty	10 339	–	10 339	–	–	–	–	–	10 339	–
Notes receivable	5 393	–	5 393	–	–	–	–	–	5 393	–
Deferred financing costs net	20 357	–	20 357	–	–	–	–	–	20 357	–
Goodwill and other intangibles net	42 818	(5 525)	48 343	–	–	–	–	–	16 066	26 752
	146 076	(22 359)	151 128	430	6 936	6 892	–	40	128 416	17 660
Total assets	$ 5 027 453	$ (50 306)	$ 4 874 443	$ 67 230	$ 21 922	$ 21 933	$ 2 502	$ 86 720	$ 4 558 410	$ 469 043
Liabilities and net assets (deficit)										
Current liabilities										
Accounts payable	$ 127 508	$ (105)	$ 126 663	$ 707	$ 45	$ 1	$ –	$ 287	$ 111 975	$ 15 533
Accrued compensation and related liabilities	257 955	–	257 594	–	–	–	361	–	237 070	20 885
Accrued liabilities	229 027	(1 441)	208 421	19 787	95	2 165	–	–	148 152	80 875
Payable to third-party payors	76 119	–	76 119	–	–	–	–	–	73 920	2 199
Current maturities of long-term debt	52 017	–	50 684	–	1 333	–	–	–	50 544	1 473
Total current liabilities	742 626	(1 636)	719 481	20 494	1 473	2 166	361	287	621 661	120 965
Interest rate swaps	44 964	–	44 964	–	–	–	–	–	44 964	–
Other liabilities	176 259	–	166 086	13 173	–	–	–	–	147 819	31 440
Notes payable and interest due (from) to affiliates	–	(4 256)	(5 225)	102	(20)	13 686	493	(4 780)	(105 834)	105 834
Long-term debt less current maturities	1 334 843	(37 356)	1 330 688	–	32 511	–	–	–	1 317 540	17 303
Total liabilities	2 301 692	(43 248)	2 264 994	33 769	33 964	15 852	854	(4 493)	2 026 150	275 542
Net assets (deficit)										
Controlling interest	2 696 006	(10 085)	2 582 721	33 470	(9 042)	6 081	1 648	91 213	2 532 260	163 746
Noncontrolling interests in subsidiaries	29 755	3 027	26 728	–	–	–	–	–	–	29 755
	2 725 761	(7 058)	2 609 449	33 470	(9 042)	6 081	1 648	91 213	2 532 260	193 501
Total liabilities and net assets	$ 5 027 453	$ (50 306)	$ 4 874 443	$ 67 230	$ 21 922	$ 21 933	$ 2 502	$ 86 720	$ 4 558 410	$ 469 043

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Regional Entities
(In Thousands)

June 30, 2011

	Total Regional Entities	Eliminations	Southern California Region	Northern California 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	–	–
	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)	$ 2 697 676	$ 969 397	$ 781 823	$ 433 142

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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	$ –	$ 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	46 996	32 277	–	1 002	13 717	–	–	–	–	–	–	–
	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	$ –	$ 31 033	$ 11 842	$ 12 219	$ 10 529	$ 9 712	$ 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 liabilities	61 617	–	23 808	1 813	11 861	6 038	17 293	–	168	–	108	528
Payable to third-party payors	39 019	–	5 102	9 125	3 976	18 801	2 015	–	–	–	–	–
Current maturities of long-term debt	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 subsidiaries	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	$ 2,697,676	$ (13,926)	$ 903,358	$ 809,015	$ 596,740	$ 262,303	$ 117,096	$ 2,547	$ 5,903	$ 310	$ 6,602	$ 7,728

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Northern Region
(In Thousands)

June 30, 2011

	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
Assets										
Current assets										
Cash and equivalents	$ 30 405	$ –	$ 2 606	$ 21 429	$ 1 661	$ –	$ 1 931	$ 2 726	$ –	$ 52
Short-term marketable securities	181 104	–	83 157	80 266	–	2 358	13 304	–	–	2 019
Patient accounts receivable less allowance for doubtful accounts	126 798	–	37 522	46 976	10 534	22 378	5 248	2 914	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	–	–	496	305	–	–	–	–	–
Deferred financing costs net	5 350	–	829	2 184	1 660	651	26	–	–	–
Goodwill and other intangibles net	1 347	–	–	–	–	1 347	–	–	–	–
	9 794	–	1 400	2 829	1 965	3 574	26	–	–	–
Total assets	$ 969 397	$ –	$ 332 788	$ 341 320	$ 32 692	$ 201 325	$ 49 376	$ 8 075	$ 1 523	$ 2 298
Liabilities and net assets (deficit)										
Current liabilities										
Accounts payable	$ 23 217	$ (1)	$ 6 415	$ 9 781	$ 1 584	$ 4 017	$ 688	$ 652	$ 81	$ –
Accrued compensation and related liabilities	56 677	–	17 296	21 497	5 354	9 490	2 147	270	623	–
Accrued liabilities	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	–	37	–	–	–
Total current liabilities	134 681	(1)	31 132	56 843	11 408	26 837	6 585	1 100	777	–
Other liabilities	362	–	5	–	–	353	–	4	–	–
Notes payable and interest due (from) to affiliates	3 830	1	(4 905)	(20 040)	8 008	5 475	(807)	14 901	1 195	2
Long-term debt less current maturities	240 358	–	54 437	122 641	546	60 756	1 978	–	–	–
Total liabilities	379 231	–	80 669	159 444	19 962	93 421	7 756	16 005	1 972	2
Net assets (deficit)										
Controlling interest	590 166	–	252 119	181 876	12 730	107 904	41 620	(7 930)	(449)	2 296
Noncontrolling interests in subsidiaries	–	–	–	–	–	–	–	–	–	–
	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	$ 49 376	$ 8 075	$ 1 523	$ 2 298

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Balance Sheet of Texas Region
(In Thousands)

June 30, 2011

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Methodist Medical Group	Covenant Surgicenter	Covenant Diagnostic Imaging	Hospice of Lubbock	Covenant Health Partners	First Care	Methodist Service Provider Organization	Covenant Foundation
Assets															
Current assets															
Cash and equivalents	$ 103 853	$ –	$ 41 572	$ 7 104	$ 10 754	$ 4 836	$ 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	–	9 056
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	4 714	1 323	1 240	–	2 600	298	13	–	6 714	2 200	11
Investments and other	19 135	(43 308)	11 241	–	833	–	15 858	432	43	–	118	–	–	33 918	–
Notes receivable	62	–	–	62	–	–	–	–	–	–	–	–	–	–	–
Deferred financing costs net	1 973	–	1 973	–	–	–	–	–	–	–	–	–	–	–	–
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)	$ 570 425	$ 11 156	$ 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 liabilities															
Accounts payable	$ 17 067	$ –	$ 13 753	$ 310	$ 1 076	$ 145	$ 153	$ –	$ 326	$ 45	$ 165	$ –	$ 205	$ –	$ 889
Accrued compensation and related liabilities	33 574	–	22 992	52	783	535	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 liabilities	117 181	–	60 412	972	1 805	808	8 510	–	554	259	328	969	41 305	179	1 080
Other liabilities	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	6 971	24 317
Noncontrolling interests in subsidiaries	21 891	21 891	–	–	–	–	–	–	–	–	–	–	–	–	–
	469 168	(43 308)	417 109	9 655	7 867	8 297	(25 631)	–	6 496	1 329	3 673	4 036	48 357	6 971	24 317
Total liabilities and net assets	$ 781 823	$ (43 308)	$ 570 425	$ 11 156	$ 20 841	$ 9 449	$ 32 901	$ 432	$ 7 230	$ 1 588	$ 4 079	$ 3 657	$ 92 871	$ 44 609	$ 25 893

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations
(In Thousands)

For the Year Ended June 30, 2011

	Consolidated	Eliminations	Total 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 doubtful accounts	3 463 370	–	3 463 370	–	–	–	–	–	3 241 069	222 301
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)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Regional Entities
(In Thousands)

For the Year Ended June 30, 2011

	Total Regional Entities	Eliminations	Southern California Region	Northern California Region	Texas Region	System Office
Revenues						
Patient service net of contractual allowances and discounts	$ 3 659 620	$ –	$ 1 951 607	$ 942 752	$ 765 261	$ –
Provision for doubtful accounts	196 250	–	80 958	28 822	86 470	–
Net patient service net of provision for doubtful accounts	3 463 370	–	1 870 649	913 930	678 791	–
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

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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	$ –	$ 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	$ 46 518	$ (15 372)	$ (458)	$ 3 856	$ 7	$ (42)	$ 1 030	$ (2 288)

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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

For the Year Ended June 30, 2011

	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
Revenues										
Patient service net of contractual allowances and discounts	$ 942 752	$ (446)	$ 239 025	$ 351 876	$ 84 544	$ 198 156	$ 43 311	$ 14 686	$ 11 600	$ –
Provision for doubtful accounts	28 822	–	(535)	11 867	6 140	7 254	2 487	1 335	274	–
Net patient service net of provision for doubtful accounts	913 930	(446)	239 560	340 009	78 404	190 902	40 824	13 351	11 326	–
Premium	8 646	–	8 469	–	–	–	–	177	–	–
Other	8 723	(946)	2 749	3 578	966	705	176	1 495	–	–
Total revenues	931 299	(1 392)	250 778	343 587	79 370	191 607	41 000	15 023	11 326	–
Expenses										
Compensation and benefits	469 664	–	136 497	166 925	47 296	83 389	19 911	5 873	9 773	–
Supplies and other	209 257	–	54 814	75 602	15 753	53 401	5 989	2 566	1 132	–
Professional fees and purchased services	174 261	(1 392)	39 049	58 026	15 539	37 231	7 703	16 961	1 144	–
Depreciation and amortization	44 531	–	13 518	18 396	3 516	7 130	1 529	362	80	–
Interest	11 480	–	3 306	7 794	59	173	134	–	14	–
Total expenses	909 193	(1 392)	247 184	326 743	82 163	181 324	35 266	25 762	12 143	–
Operating income (loss)	22 106	–	3 594	16 844	(2 793)	10 283	5 734	(10 739)	(817)	–
Nonoperating gains net	31 451	–	16 815	9 616	21	560	4 205	3	–	231
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ 53 557	$ –	$ 20 409	$ 26 460	$ (2 772)	$ 10 843	$ 9 939	$ (10 736)	$ (817)	$ 231

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidating Statements of Operations of Texas Region
(In Thousands)

For the Year Ended June 30, 2011

	Texas Region	Eliminations	Covenant Lubbock	Covenant Levelland	Covenant Plainview	Covenant LTAC	Covenant Medical Group	Methodist Medical Group	Covenant 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	$ 6 335	$ –	$ –	$ –	$ –
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	–	–	–	–
Premium	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	1 316	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	$ 1 495	$ (20 622)	$ 1	$ 4 380	$ 2 550	$ 597	$ 1 363	$ 4 020	$ 5 591	$ (105)

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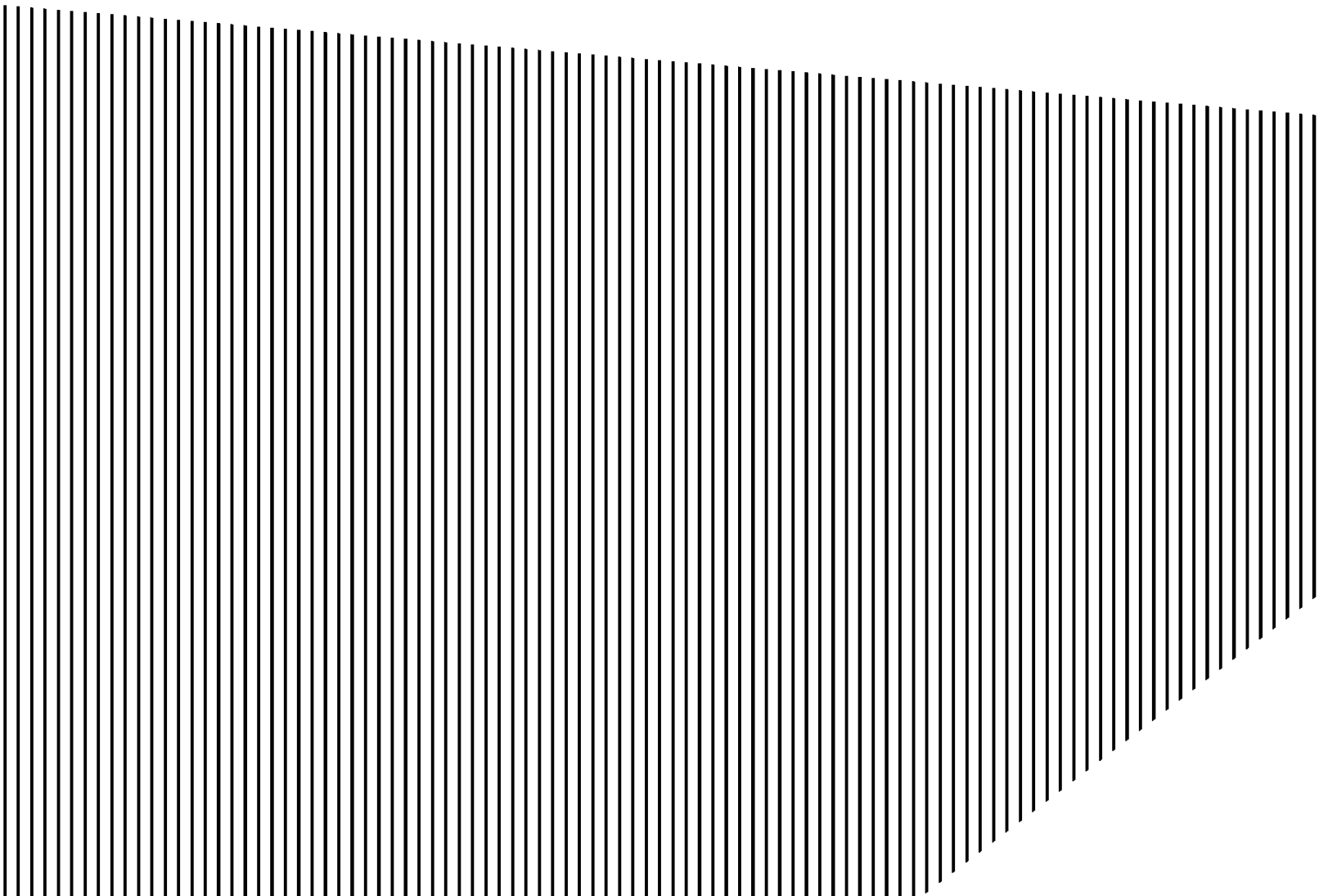

Additional Data

Software ID:
Software Version:
EIN: 75-2765566
Name: COVENANT HEALTH SYSTEM

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JOHN C ANDERSON BOARD MEMBER/COMMITTEE CHAIR	3 0	X						0	0	0
MICHAEL DANCHAK MD BOARD MEMBER	2 0	X						0	0	0
SISTER SHARON BECKER CSJ BOARD MEMBER	2 0	X						0	0	0
SUZANNE BLAKE BOARD MEMBER	2 0	X						0	0	0
TODD BRODBECK DO BOARD MEMBER	2 0	X						0	0	0
JOHN HAMILTON BOARD MEMBER	2 0	X						0	0	0
JOE DEE BROOKS BOARD MEMBER	2 0	X						0	0	0
KITTY HARRIS PHD BOARD MEMBER	2 0	X						0	0	0
SAM HAWTHORNE BOARD MEMBER	2 0	X						0	0	0
BRENT HOFFMAN BOARD MEMBER	2 0	X						0	0	0
JANIE RAMIREZ SECRETARY/COMMITTEE CHAIR	3 0	X		X				0	0	0
VAN MAY CHAIR/COMMITTEE CHAIR	5 0	X		X				0	0	0
MICHAEL ROBERTSON MD BOARD MEMBER	2 0	X						36,000	0	0
JUAN SANCHEZ MUNOZ PHD BOARD MEMBER	2 0	X						0	0	0
SR MARY THERESE SWEENEY CSJ BOARD MEMBER/COMMITTEE CHAIR	3 0	X						0	0	0
RICHARD PARKS BOARD MEMBER/PRESIDENT/CEO	35 0	X		X				0	1,036,771	24,473
TEB THAMES MD BOARD MEMBER	2 0	X						0	0	0
DAN POPE BOARD MEMBER	2 0	X						0	0	0
JOHN ZWIACHER VICE CHAIR/COMMITTEE CHAIR	3 0	X		X				0	0	0
MONSIGNOR DAVID CRUZ BOARD MEMBER (UNTIL 12/31/11)	2 0	X						0	0	0
SISTER SUZANNE SASSUS CSJ BOARD MEMBER (UNTIL 12/31/11)	2 0	X						0	0	0
JO ANN ESCASA-HAIGH BOARD MEMBER	2 0	X						0	600,573	43,728
TROY THIBODEAUX COO	30 0			X				424,570	0	4,245
JOHN GRIGSON SVP-CFO	26 0			X				769,606	0	30,291
CLARK COCHRAN VP MISSION INTEGRATION	48 0			X				244,993	0	10,554

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
SUSAN NEVES VP ADMINISTRATION - CMC	50 0				X			548,756	0	8,196
STEVEN MCCAMY PRESIDENT-COVENANT MEDICAL GRP	5 0				X			680,606	0	33,969
ROXIE TAYLOR VP ADMIN LAKESIDE & JACC	28 0				X			432,968	0	26,099
SHARYN IVORY VP ADMIN POST - ACUTE SVCS	50 0				X			338,548	0	16,750
STEVEN BECK VP REGIONAL SERVICES	30 0				X			254,238	0	29,683
KAREN BAGGERLY VP NURSING	50 0				X			387,544	0	33,442
RODNEY CATES VP HUMAN RESOURCES	50 0					X		354,613	0	33,105
SHARON PRATHER PRESIDENT-COVENANT FOUNDATION	30 0					X		378,646	0	36,835
SCOTT ROBINS MD CMO OF CHS (UNTIL 02/25/11)	50 0					X		470,006	0	20,856
SHARON CLARK VP FINANCE	50 0					X		440,052	0	34,144
MURALI NAIR MEDICAL PHYSICIST	40 0					X		295,280	0	38,938
MELINDA CLARK PRESIDENT/CEO (THRU 10/01/09)	0 0						X	0	282,512	0