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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
Saint Francis Memorial Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
900 Hyde Street

City or town, state or country, and ZIP + 4
San Francisco, CA 94109

D Employer identification number
94-1156295

E Telephone number
(415) 353-6600

G Gross receipts $ 257,662,835

F Name and address of principal officer
Alan Fox
900 Hyde Street
San Francisco, CA 94109

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 dignityhealth ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1938 | **M** State of legal domicile CA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To provide compassionate, quality, cost effective medical and healthcare related services to meet the needs of the communities we serve

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	1,167
6	Total number of volunteers (estimate if necessary)	**6**	321
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	494,399
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	525,044	2,036,475
9	Program service revenue (Part VIII, line 2g)	216,409,062	225,782,645
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	6,057,495	4,367,290
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,315,164	2,018,845
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	224,306,765	234,205,255
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	659,485	1,277,514
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)	121,790,325	123,308,361
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)	100,764,534	105,455,465
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	223,214,344	230,041,340
19	Revenue less expenses Subtract line 18 from line 12	1,092,421	4,163,915

Revenue

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	343,759,229	342,754,362
21	Total liabilities (Part X, line 26)	83,278,794	82,683,890
22	Net assets or fund balances Subtract line 21 from line 20	260,480,435	260,070,472

Net Assets or Fund Balances

Part II Signature Block

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

Sign Here

Signature of officer — Date: 2013-05-08

Alan Fox CFO
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 ▶ KPMG LLP 55 SECOND STREET SUITE 1400 SAN FRANCISCO, CA 94105			EIN ▶ Phone no ▶ (415) 963-5100

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

TO PROVIDE COMPASSIONATE, HIGH-QUALITY, AFFORDABLE HEALTH SERVICES FOR OUR SISTERS AND BROTHERS WHO ARE POOR AND DISENFRANCHISED, AND PARTNERING WITH OTHERS IN THE COMMUNITY TO IMPROVE THE QUALITY OF LIFE

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 $ 211,372,356 including grants of $ 1,277,514) (Revenue $ 225,782,645)

Saint Francis Memorial Hospital's mission is to contribute to the health of the community through the provision of quality services delivered in a compassionate and cost effective manner The hospital has 288 beds and serviced patients as follows outpatient visits of 131,202, emergency visits of 32,299, and inpatient and outpatient operating room cases of 3,288 Inpatient services acute medical/surgical care and rehab, intensive and burn care, adult psych, pharmacy, cardiopulmonary, surgery and telemetry unit Outpatient services emergency care, sports medicine and occupational health clinics, pulmonary rehab, psych day care, outpatient burn care, spine and joint center, diagnostic imaging, radiation oncology, retail pharmacy, gastrointestinal services and physical therapy services Support services chaplaincy program, family support services, palliative care, parking services, nursing education services, health sciences library, as well as support, time and money to organizations and individuals throughout the community

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** ▶ $ 211,372,356

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	Yes	
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	Yes	
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		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	226		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	1,167		
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	18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?			2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .			3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?			4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .			5		No
6	Did the organization have members or stockholders?			6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?			7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?			7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following					
a	The governing body?			8a	Yes	
b	Each committee with authority to act on behalf of the governing body?			8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O			9		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a		No
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		No
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

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

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 ▶

LARA HARROW - FINANCE DEPT
3400 DATA DRIVE 3RD FLOOR
RANCHO CORDOVA, CA 95670
(916) 851-2000

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)** . . . . . ▶								3,627,994	1,944,422	762,133

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 ▶ 398

			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**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *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
GALEN INPATIENT PHYSICIANS 2100 POWELL ST STE 900 EMERYVILLE, CA 946081803	Medical Services	1,943,700
REHABCARE GRP INC 7733 FORSYTH BLVD SUITE 2300 ST LOUIS, MO 631502096	Therapist	1,658,884
CITY PARK 1234 PINE ST SAN FRANCISCO, CA 94109	Parking Services	715,435
ANGELICA TEXTILE SERVICES 925 S 8TH ST COLTON, CA 92324	Laundry Services	575,770
PARAGON MEDICAL ASSOCIATION INC 3128 PASEO GRANADA PLEASANTON, CA 94566	MEDICAL SERVICES	498,000

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 ▶ 50

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations . . . 1d				
	e	Government grants (contributions) 1e 288,321				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f 1,748,154				
	g	Noncash contributions included in lines 1a-1f $ _____				
	h	**Total.** Add lines 1a-1f . . . . . ▶	2,036,475			
Program Service Revenue		Business Code				
	2a	PATIENT REV/CHARITY CARE	900099	191,540,655	191,540,655	0	0
	b	MEDICARE / MEDICAID PAYMENTS	900099	27,718,781	27,718,781	0	0
	c	MEDICAL OFF BLDGS	532000	2,375,590	2,375,590	0	0
	d	EHR INCENTIVES	900099	3,535,048	3,535,048	0	0
	e	PHYSICIAN PROFESSIONAL FEES	900099	574,245	574,245	0	0
	f	All other program service revenue		38,326	38,326	0	0
	g	**Total.** Add lines 2a–2f . . . . . ▶		225,782,645			
	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		3,354,565			3,354,565
	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: 24,458,305 / 12,000					
	b	Less cost or other basis and sales expenses: 23,442,423 / 15,157					
	c	Gain or (loss): 1,015,882 / -3,157					
	d	Net gain or (loss) . . . . . ▶	1,012,725	0	0	1,012,725
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	PARKING LOT FEES	812930	861,200			861,200
	b	SPORTS MEDICINE RETAIL OPERATION	446199	494,399		494,399	
	c	CAFETERIA	900099	211,721			211,721
	d	All other revenue		451,525			451,525
	e	**Total.** Add lines 11a–11d . . . . . ▶		2,018,845			
	12	**Total revenue.** See Instructions . . . ▶		234,205,255	225,782,645	494,399	5,891,736

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	1,272,424	1,272,424		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	5,090	5,090		
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	2,368,338	2,096,643	271,695	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	93,966,587	87,615,649	6,350,938	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	6,183,767	5,757,914	425,853	
9	Other employee benefits	14,591,844	13,587,095	1,004,749	
10	Payroll taxes	6,197,825	5,771,135	426,690	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	226,326		226,326	
c	Accounting	61,420		61,420	
d	Lobbying	22,253		22,253	
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	107,925		107,925	
g	Other	24,467,185	17,696,820	6,770,365	
12	Advertising and promotion	441,986	19,575	422,411	
13	Office expenses	4,531,164	4,038,089	493,075	
14	Information technology	8,965,210	8,884,015	81,195	
15	Royalties . .	0			
16	Occupancy	3,594,914	3,272,584	322,330	
17	Travel	68,555	45,278	23,277	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	126,880	69,551	57,329	
20	Interest	1,311,723	1,311,723		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	9,319,631	9,154,999	164,632	
23	Insurance	2,214,044	2,214,044		
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	18,486,714	18,484,603	2,111	0
b	BAD DEBT	17,341,211	17,341,211	0	0
c	MEDI-CAL PROVIDER FEE	11,311,936	11,311,936	0	0
d	OVERHEAD CORPORATE ALLOCATION	889,279	0	889,279	0
e					
f	All other expenses	1,967,109	1,421,978	545,131	
25	**Total functional expenses.** Add lines 1 through 24f	230,041,340	211,372,356	18,668,984	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		7,877	1	7,798
	2	Savings and temporary cash investments		5,964,725	2	2,664,902
	3	Pledges and grants receivable, net		34,418	3	94,371
	4	Accounts receivable, net		26,486,198	4	30,275,681
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	286,370
	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		689,262	7	3,057,251
	8	Inventories for sale or use		2,813,976	8	2,888,173
	9	Prepaid expenses and deferred charges		9,006,391	9	17,740,443
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 264,114,417			
	b	Less accumulated depreciation	10b 167,282,940	100,591,821	10c	96,831,477
	11	Investments—publicly traded securities		105,724,420	11	102,143,676
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		74,582,141	13	72,889,220
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		17,858,000	15	13,875,000
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		343,759,229	16	342,754,362
Liabilities	17	Accounts payable and accrued expenses		19,402,313	17	28,025,741
	18	Grants payable		0	18	0
	19	Deferred revenue		5,456,647	19	78,847
	20	Tax-exempt bond liabilities		10,000,000	20	10,000,000
	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		17,529	23	0
	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		48,402,305	25	44,579,302
	26	**Total liabilities.** Add lines 17 through 25		83,278,794	26	82,683,890
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		183,124,987	27	187,181,251
	28	Temporarily restricted net assets		46,841,516	28	42,517,983
	29	Permanently restricted net assets		30,513,932	29	30,371,238
		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		260,480,435	33	260,070,472
	34	Total liabilities and net assets/fund balances		343,759,229	34	342,754,362

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	234,205,255
2	Total expenses (must equal Part IX, column (A), line 25)	2	230,041,340
3	Revenue less expenses Subtract line 2 from line 1	3	4,163,915
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	260,480,435
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-4,573,878
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	260,070,472

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
Saint Francis Memorial Hospital

Employer identification number
94-1156295

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
Saint Francis Memorial Hospital	94-1156295

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		22,253
j	Total lines 1c through 1i			22,253
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
PART II - B		Part II-B, Line 1i Lobbying expenditures paid by the Parent organization for annual membership dues where expenses are allocated to the hospital Catholic Health Association $ 1,730 Hospital Association of So Cal $16,973 American Hospital Association $ 2,448 Safety Net Hospitals for Pharmaceutical Access $ 825 Lobbying expenditures paid directly by the filing organization for annual membership dues APTA National dues $130 APTA CA Chapter $118 APTA - Sports PT Section $ 1 ASIS International $ 14 Society for Human Resource Management $ 14 ---------- TOTAL $22,253 ==========

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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
Saint Francis Memorial Hospital

Employer identification number
94-1156295

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	36,338,723	36,206,485	33,349,590		
b Contributions	100	3,654	6,794		
c Investment earnings or losses	-742,651	5,190,056	3,252,188		
d Grants or scholarships					
e Other expenditures for facilities and programs	907,506	5,061,472	402,087		
f Administrative expenses					
g End of year balance	34,688,666	36,338,723	36,206,485		

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

- a Board designated or quasi-endowment ▶ 12 670 %
- b Permanent endowment ▶ 87 330 %
- c Term endowment ▶ 0 %

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)	Yes	
(ii) related organizations	3a(ii)		No
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		2,094,567		2,094,567
b Buildings		161,265,205	92,431,993	68,833,212
c Leasehold improvements		196,844	180,497	16,347
d Equipment		94,517,543	74,670,450	19,847,093
e Other		6,040,258	0	6,040,258
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				96,831,477

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
(1) UNCONSOLIDATED FOUNDATION	72,889,220	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	72,889,220	

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

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
DUE TO RELATED PARTIES	41,999,192
PENSION LIABILITY	1,902,880
OTHER NON CURRENT LIABILITIES	566,621
DEFERRED COMPENSATION	110,609
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	44,579,302

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
Sch D, Part V, Line 4		The endowment funds are intended to be used to support the hospital's healthcare needs and other hospital program needs

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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
Saint Francis Memorial Hospital

Employer identification number
94-1156295

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other **%**	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other **500. %**	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)		1,952	4,373,498	0	4,373,498	2 060 %
b Medicaid (from Worksheet 3, column a)		8,431	41,989,782	29,249,760	12,740,022	5 990 %
c Costs of other means-tested government programs (from Worksheet 3, column b)		12,256	5,405,651	0	5,405,651	2 540 %
d **Total** Charity Care and Means-Tested Government Programs		22,639	51,768,931	29,249,760	22,519,171	10 590 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	8	2,582	1,041,761	0	1,041,761	0 490 %
f Health professions education (from Worksheet 5)	4	611	363,693	248,293	115,400	0 050 %
g Subsidized health services (from Worksheet 6)	4	618	775,922	50,487	725,435	0 340 %
h Research (from Worksheet 7)		0	0	0	0	0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	7	6,418	568,247	23,765	544,482	0 260 %
j **Total** Other Benefits	23	10,229	2,749,623	322,545	2,427,078	1 140 %
k **Total.** Add lines 7d and 7j	23	32,868	54,518,554	29,572,305	24,946,249	11 730 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing		0	0	0	0	0 %
2	Economic development		0	0	0	0	0 %
3	Community support	1	1	188	0	188	
4	Environmental improvements		0	0	0	0	0 %
5	Leadership development and training for community members		0	0	0	0	
6	Coalition building	1		27,192	0	27,192	0 010 %
7	Community health improvement advocacy		0	0	0	0	0 %
8	Workforce development	1		14,500	0	14,500	0 010 %
9	Other		0	0	0	0	0 %
10	**Total**	3	1	41,880	0	41,880	0 020 %

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	Yes	
2	Enter the amount of the organization's bad debt expense	2	4,049,654		
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	45,694,729
6	Enter Medicare allowable costs of care relating to payments on line 5	6	60,437,135
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-14,742,406
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Saint Francis Memorial Hospital 900 Hyde ST San Francisco, CA 94109	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)

Saint Francis Memorial Hospital

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 %			
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 500 % If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☑ Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

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

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

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

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
Schedule H, part I, Line 7, column (f)		The amount of bad debt expense included on Form 990, Part IX, line 25, column (A) is $17,341,211 and has been subtracted for purposes of calculating the percentages in column (f)

Identifier	ReturnReference	Explanation
Schedule H, part I, Line 7		For purposes of calculating the amounts provided in the table, SFMH uses a cost accounting system that combines relative value units (RVU) and cost to charge ratios (CCR) to allocate costs to the patient level The cost accounting system algorithm allocates total operating expenses to the procedure charge code level based upon an RVU for procedures that have been studied and assigned an RVU, or based upon a CCR for unstudied procedures that do not have an RVU assigned When a CCR is used, the system calculates that CCR on a departmental specific basis at where the services were provided The calculation is similar to the Worksheet 2 of Schedule H, Ratio of Patient Care Cost to Charges, except it is calculated on a departmental specific basis, not in the aggregate The allocated procedure charge code level costs are then rolled up to the patient level based upon the billed procedure charge codes associated with those services provided to each specific patient This is done for all patient segments including inpatient, outpatient, emergency department, private insurance, Medicaid, Medicare, uninsured and self pay The cost accounting system is utilized to determine the unreimbursed cost of Medicaid and other means-tested government programs The cost of charity care is calculated by applying the CCR derived from the cost accounting system on a per facility basis, to the charges incurred on patients that qualify for charity care at the respective facility The actual cost is reported for other community benefit activities such as community health improvement services, community benefit operations, health professions education, subsidized health services, research and cash and in-kind donations

Identifier	ReturnReference	Explanation
Schedule H, Part I, line 7b, column (f)		Beginning in 2009, the State of California established provider fee programs These programs are funded by quality assurance fees paid by participating hospitals and matching federal funds Saint Francis Memorial Hospital (SFMH) recognized quality assurance fees during the year of $11 3 million which are included in total community benefit expense related to unreimbursed Medicaid (Part I, line 7b, column c), and recognized fee-for-service supplemental payments of $16 0 million during the year reflected under the Medicaid program as direct offsetting revenue (Part I, line 7b, column d) This net reduction in the cost of the Medicaid program is driving the decrease in the overall cost of community benefit expense as a percent of total expenses when compared to prior years The California Hospital Association created a private program, the California Health Foundation and Trust ("CHFT"), established for several purposes, including aggregating and distributing financial resources to support charitable activities at various hospitals and health systems in California During the year, SFMH recorded a pledge to a grant fund established by CHFT in the amount $0 4 million The grant is reported under other benefits (Part I, line 7i, column c), as cash and in-kind contributions to community groups

Identifier	ReturnReference	Explanation
Schedule H, Part II - Community Building Activities		Community Support - Under Community Support is Burn Outreach Prevention Program Its goal is to establish and enhance community support networks, such as Juvenile Arson Program Mentoring and Counseling Programs Coalition building - Under Coalition Building is African American Disparity Project The Hospital Council sponsors this project which is committed to improve the health status of African Americans and to eliminate institutional racism wherever it exists in the health care system of San Francisco Its goal is to increase the overall trust and confidence of the HealthCare System and decrease in level health disparities among African Americans population Workforce Development - Under work force development, we have Cristo Rey/Immaculate Conception Academy as part of our Mentoring Programs Immaculate Conception Academy (ICA) is an all-girls Catholic high school, which offers a college preparatory education in the Dominican tradition As part of the Cristo Rey Network, ICA operates with a unique program of strong college prep curriculum partnered with a corporate work study component Membership in the Cristo Rey Network allows ICA to open its doors to capable students desiring a faith based high school education but without adequate means to afford it Saint Francis provides mentoring opportunities for up to 4 ICA students throughout the academic year

Identifier	ReturnReference	Explanation
Schedule H, Part III, Line 4		The amount of the organization's bad debt at cost is determined by applying the CCR (see above) to patient charges that are deemed to be uncollectible This amount represents the cost of services provided to patients who are unable or refuse to pay their bills and do not qualify for free or discounted care, government sponsored programs or other financial assistance, and are otherwise uninsured Any portion of a patient bill remaining after applying financial, uninsured or other discounts or payments received on the account that are ultimately determined to be uncollectible are written off to bad debt As noted in Part I, Line 3, SFMH provides free or discounted care to uninsured or under-insured individuals at or below 500% of the Federal Poverty Level SFMH also provides patients options for prompt pay discounts, discounts for the medically indigent, and interest-free extended payment plans for patients who have demonstrated good faith and are cooperating in resolving their hospital bills All accounts for eligible uninsured patients receive an automatic uninsured discount of 25% for patients seen The expected patient payment amount on the patient's bill reflects this discount SFMH makes every effort in determining if a patient qualifies for charity care upon admission SFMH follows Dignity Health's financial assistance policy Dignity Health's financial assistance policy is communicated to patients upon admission and is available in the languages primarily spoken in the community It is also posted in various common areas of the hospital and is provided upon billing if eligibility is not previously determined Eligibility is reevaluated as needed and amounts are classified as charity as soon as eligibility is known Dignity Health also utilizes a Payment Assistance Rank Ordering (PARO) scoring system to assist in determining if a patient may qualify for charity care even though they have not applied for it PARO is a methodology that applies consistent screening and application standards to all patients utilizing historical data to develop a predictive model for healthcare financial assistance In its development, special attention was paid to those socio-economic factors that might adversely affect those patients deserving the most attention Other criteria are also utilized to ensure that no services that have qualified as charity are reported as bad debt As such, SFMH does not believe that any amounts included in Part III, Line 2, are attributable to patients eligible under the organization's charity care policy The following is an excerpt from Dignity Health and its subordinate corporations' consolidated annual audited financial statements for the year ended June 30, 2012, related to accounts receivable and allowances for charity and doubtful accounts Patient accounts receivable and net patient service revenue are reported at the net realizable amount from patients, third-party payors, and others for services rendered SFMH manages its collection risk by regularly reviewing its accounts and contracts and by providing appropriate allowances Reserves for charity and uncollectible amounts have been established and are netted against patient accounts receivable in the consolidated balance sheet

Identifier	ReturnReference	Explanation
Schedule H, Part III, Line 8		SFMH prepares Medicare cost reports in a manner that comports with Provider Reimbursement Manual (PRM) 15-1, 2150ff and PRM 15-2, 1000ff As such, the following language per the PRM 15-1 describes the computation of costs per the Medicare Cost Report Total allowable costs of a provider are apportioned between program beneficiaries and other patients so that the share borne by the program is based upon actual services received by program beneficiaries The ratio of covered beneficiary charges to total patient charges for the services of each ancillary department is applied to the cost of the department Added to this amount is the cost of routine services for program beneficiaries, determined on the basis of a separate average cost per diem for all patients for general routine patient care areas Another factor to be considered is a separate average cost per diem for intensive care unit, coronary care unit, and other special care inpatient hospital units Dignity Health believes that the entire Medicare shortfall of $519 9 million, as reported below in Part VI, Line 6, constitutes community benefit The IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients Medicare shortfalls must be absorbed by Dignity Health hospitals in order to continue treating the elderly in our communities The hospitals provide care regardless of this shortfall and thereby relieve the federal government of the burden of paying the full cost for Medicare beneficiaries This shortfall includes $14 7 million reported on Part III, Section B, Line 7, primarily for fee for service Medicare patients, as well as the unreimbursed portion of Medicare Managed Care and Medicare Capitated programs for SFMH

Identifier	ReturnReference	Explanation
Schedule H, Part III, Line 9b		SFMH ensures that patient accounts are processed fairly and consistently SFMH follows Dignity Health's collection policy Dignity Health's collection policy contains provisions that prohibit the collection of amounts due from patients who the organization knows qualify for charity care Accounts with incorrect or incomplete demographic information are assigned to a collection agency if SFMH or the billing company retained by Dignity Health is unable to obtain an updated address through skip tracing or other means For patients who have an application pending for either government-sponsored financial assistance or for assistance under Dignity Health's Patient Payment Assistance Policy, or where the patient is attempting in good faith to settle an outstanding bill with the facility via payment plans, SFMH will not knowingly send that patient's bill to an outside collection agency Legal action will not be pursued to collect debts from patients who have qualified for charity or are cooperating in good faith to resolve their debt SFMH does not impose wage garnishments or liens on primary residences On self-pay accounts that do not meet the criteria noted above, the initial determination of assignment to a collection agency will vary depending on the nature of the account with the final decision being at the discretion of each hospital patient financial assistance department Upon assignment of such a patient account to a collection agency, SFMH requires the agency to comply with the Fair Debt Collection Practices Act

Identifier	ReturnReference	Explanation
Schedule H, Part V, Section B, Line 13g		All language regarding the policy is communicated to patients via the methods outlined below 1 Signage in all admitting areas, 2 At the point of registration, all patients receive brochures explaining the facilitys charity care program and the availability of government sponsored programs, 3 All initial statements to uninsured patients includes verbiage informing patients of the facilitys charity care program and a copy of the charity care application A telephone number is provided for patients to request further information about the program and assistance is available in languages other than English, 4 Information about the facilitys charity care program, access to the application, and contact information is available on the facilitys webpage

Identifier	ReturnReference	Explanation
Schedule H, Part V, Section B, Line 19d		Patients who are applying for discounts under the discount provision of Hospital Fair Pricing Act - California Health and Safety Code 127400 whose household income is at or below 350% of the FPL are eligible to receive services at the highest average rate the hospital would receive for providing services from Medicare, Medicaid, or any other government-sponsored health program of health benefit in which the hospital participates, whichever is greater Patients who are applying for discounts under the discount provision of Hospital Fair Pricing Act - California Health and Safety Code 127400 whose household income is at or below 350% of the FPL are eligible to receive services at the highest average rate the hospital would receive for providing services from Medicare, Medicaid, or any other government-sponsored health program of health benefit in which the hospital participates, whichever is greater

Identifier	ReturnReference	Explanation
Schedule H, Part VI, Line 2 - Needs Assessment		In San Francisco since the late 1990's the Building a Healthier San Francisco Coalition (B HSF) made up of healthcare and health related organizations of which SFMH is a member, hav e worked together to produce the California state-mandated Community Needs Assessment for San Francisco As a member of BHSF, Saint Francis Memorial Hospital has taken these assess ment findings and through a process directed by the SFMH Board's Community Advisory Commit tee has set priorities for the SFMH Community Benefit Plan In 2007, BHSF launched a new w ebsite HealthmattersinSF org which is home to all of the data that is the basis for the Sa n Francisco Community Needs Assessment Following the launch of the website, a series of s takeholder meetings took place to support the process of setting citywide priorities for c ommunity benefit planning at a city level and then at the hospital level These stakeholde rs coalesced to become the San Francisco Community Benefit Partnership of which SFMH is a member Beginning in 2009, the Community Benefits Partnership defined a process for data a ssessment and priority setting that would create the 2010 San Francisco Community Needs As sessment The end result of this new assessment process is Community vital Signs Communit y Vital Signs The Community Benefit Partnership transformed the 4 priority areas from the 2007 assessment to 10 priority health goals for the 2010 San Francisco Community Needs Ass essment At a Community Stakeholder meeting on November 13, 2009, the Partnership hosted o ver 75 participants representing a cross-section of expertise in health and human services These community stakeholders confirmed the relevance of the 10 health goals and planted the seeds for 10 affinity groups comprised of subject matter experts for each of the 10 he alth goals The health goals were adopted by the San Francisco Health Commission on Februa ry 2, 2010, which now inform and guide the SFHM 2011 Community Benefit Report and the 2012 Community Benefit Plan The 10 priority health goals are 1 Increase Access to Q uality M edical Care 2 Increase Physical Activity and Healthy Eating to Reduce Chronic Disease 3 Stop the Spread of Infectious Diseases 4 Improve Behavioral Health 5 Prevent and Detect Cancer 6 Raise Healthy Kids 7 Have a Safe and Healthy Place to Live 8 Improve Health an d Health Care Access for Persons with Disabilities 9 Promote Healthy Aging 10 Eliminate Health Disparities On September 23, 2010, the San Francisco Community Benefit Partnership presented the dynamic 2010 Community Needs Assessment through the re-launch of Health Matt ers in San Francisco and introduction of Community Vital Signs and concept of Collaboratio n Centers Community Vital Signs is the newest, most effective platform to provide current baseline for each indicator and their associated benchmarks, paving a clear and dynamic p ath forward in promoting the 10 priority health goals of San Francisco It provides a cent ral web-based location for 1) Assessing health and health care needs, 2) Guiding health p olicy through collaboration, and 3) Evaluating impacts of health interventions A Communi ty Needs Index Saint Francis Memorial Hospital also makes full use of the Community Needs Index (CNI), which analyzes the community needs of a specific geographic region by measuri ng barriers to health care including income, education, cultural, insurance, and housing A numerical value is assigned to those areas of highest to lowest needs These CNI scores correlate with data showing these communities also have rates of hospitalization for ambul atory care sensitive conditions Residents in the communities with scores of "5" are more than twice likely to need inpatient care for preventable conditions than communities with a score of "1" Of the six identified zip codes in our catchment area, five of them rate a s "highest needy " These zip codes include 94102 (Tenderloin), 94103 (SOMA), 94104 (Downto wn), 94108 (Chinatown), and 94133 (North Beach), which allow further focus or refinement o f our Community Benefit intervention for maximum and strategic impact The Dignity Health CNI findings are in alignment with the other health indicator data found on the Health Mat ters in SF website B Assets Assessment Following the development of the Community Vital Signs, participants in these meetings aided in identifying current assets in the form of p rograms and projects related to the goal and indicators Subsequently, during this process , over 350 potential data indicators were identified to measure progress of the health goa ls The Partnership then narrowed down the indicators to the 34 most relevant indicators t hat have current available data and benchmarks with additional research by BHSF and input during the Stakeholder Workshop on June 4, 2010 The Health Matters in SF website hosts a Collaboration Center for each health goal with the aim to continue and enhance the engagem ent of experts and community advocates, and health

Identifier	ReturnReference	Explanation
Schedule H, Part VI, Line 2 - Needs Assessment		improvement process by participating in the Affinity Groups BHSF is working with HCI to develop the web tools to enhance both individuals and organizations' ability to collaborat e C Developing the Hospital's Implementation Plan (Community Benefit Report & Plan) At t he November 2010 CAC meeting, the CAC conducted an exercise to identify existing instituti onal and community partner resources and categorizing them under each of the 10 health goa ls represented in Community Vital Signs The exercise consisted of 3 rounds In round 1, t he CAC listed an inventory of all the programs within the scope of Saint Francis Memorial Hospital's Community Benefit program that are already being worked on to support each Comm unity Vital Sign In round 2, each member of the CAC voted for what they believed to be th e top 3 goals to focus on by nominal group process voting Finally in round 3, the results of the voting were announced and the Community Vital Sign indicator being used as a proxy to measure each goal was discussed in detail As a result of the process, the CAC selecte d 6 of the 10 Community Vital Signs for the hospital's Community Benefit Plan focus Commu nity Vital Signs which Saint Francis Memorial Hospital chose not to address this year were - Prevent and Detect Cancer 2 votes - Raise Healthy Kids 1 vote - Improve Health and H ealth Care Access for Persons with Disabilities 0 Votes These needs were not selected bec ause they are beyond the scope of the services offered by Saint Francis Memorial Hospital and they are already being addressed by other organizations in the community Many of the services or programs directly address the needs of vulnerable populations in our community with Disproportionate Unmet Health Needs (DUHN) Communities with DUHN are defined as hav ing a high prevalence or severity for a particular health concern to be addressed by a pro gram activity, or community residents who face multiple health problems and who have limit ed access to timely, high quality health care Our Community Benefit plan's services that address DUHNs include Charity Care, Community Health Fairs, Dore Urgent Clinic, Emergency Department, Glide Health Services, Hep B Free, Homecoming Services Program, Navigator Pro gram, Rally Visitation Services, and Recuperation Programs Data used to validate this sel ection includes data from the Health Matters in SF website At Saint Francis Memorial Hosp ital, some of our prominent Community Benefit programs serve to contain the growth of comm unity health care costs One example is the partnership with Glide Health Services, which enables timely access to health care and ensures the prevention of disease progression D Planning for the Uninsured/Underinsured Patient Population Saint Francis Memorial Hospita l abides by the Dignity Health Financial Assistance Policy that defines eligibility for Ch arity Care Financial Counselors work directly with patients to assess whether they are el igible for government sponsored health programs If the patient is eligible, the Financial Counselor will assist the patient with completing the application process Patients that are making a good-faith effort to settle their bills may qualify for interest free, extend ed payment plans This policy exceeds the California Hospital Association Voluntary Princi ples and Guidelines for Assisting Low-Income Uninsured Patients Patient Financial Assista nce notices, as required by local ordinance, are posted in four languages (Spanish, Englis h, Russian and Chinese) in all registration areas Financial Counselors are trained to enr oll eligible patients into Healthy San Francisco Healthy San Francisco provides a medical home and primary physician to uninsured residents of San Francisco Although this is not an insurance program, Healthy San Francisco reinvents the health care safety net enabling the uninsured to access primary and preventative care Through our partnership with Glide Health Services, Saint Francis Memorial

Identifier	ReturnReference	Explanation
Schedule H, Part VI, Line 3 - Patient Education of Eligibility for	Assistance	Communication of the Financial Assistance Program to Patients and the Public SFMH follows Dignity Health's Financial Assistance Program Information about patient financial assistance is available from SFMH, including a contact number for patients to call for information and assistance The information is provided to patients at Emergency Registration, Hospital Admissions Registration and Outpatient Registration Points on the main campus and at offsite satellite clinics Notices are posted in each of these areas as well Written information is provided in the primary languages spoken by the populations served by the facility At the point of registration, all patients receive brochures explaining the facility's charity care program and the availability of government sponsored programs Uninsured patients receive copies of the charity care and Medicaid applications in addition to the brochure upon admission to the facility It is SFMH's policy that at the time of patient billing, facilities provide to all uninsured patients the same billing information concerning services and charges provided to all other patients who receive care at SFMH facilities If financial assistance eligibility is not determined prior to billing, initial billing statements to uninsured patients include a request to the patient to provide any insurance information that was valid for the dates of service billed, a statement informing patients without insurance coverage they may be eligible for a government sponsored program or facility funded charity care, instructions on how to apply for a government program or charity care and the provision of such applications Any member of the SFMH staff or medical staff may make referral of patients for financial assistance The patient or a family member, a close friend or associate of the patient may also make a request for financial assistance

Identifier	ReturnReference	Explanation
Schedule H, Part VI, Line 4 - Community Information		Saint Francis Memorial Hospital is the only hospital located in downtown San Francisco Patients' accessing the hospital's services range from the city's richest to poorest residents Our primary service area includes Downtown, Nob Hill, North Beach, the Waterfront and areas with disproportionate unmet health needs the Tenderloin, Chinatown and South of Market Area (SOMA) communities The City and County of San Francisco is a densely populated urban environment with a residential population of 809,518 and a daytime population over 1 2 million The city embraces a diverse ethnic culture 41 6% Caucasian, 33 8% Asian, 5 5% African American, 15 3% Hispanic, 3 8% all others The average household income is $98,009 Much of the population, 57 5% are renters dues to the high cost of housing in San Francisco While 17% of the population is uninsured, however, the vast majority of those are enrolled in Healthy San Francisco, the City's program of health care services for the uninsured 10% of the population is enrolled in MediCal The unemployment rate is 5 8% in San Francisco is relatively low compared to the state and the nation While much of the population is highly educated - 51% with a college degree, there remains 8 2% without a high school diploma The cost of living in San Francisco is one of the highest in the nation The Tenderloin The Tenderloin is one of San Francisco's most densely populated and neediest neighborhoods Approximately 28,991 residents live in the 94102 zip code The residents of the Tenderloin speak many languages, are of many races and income levels The neighborhood is home to many immigrant families, 27 3% of which are linguistically isolated 43% of residents speak a language other than English at home The Tenderloin is one of the city's most impoverished neighborhoods It is also home to many of the city's non-profits that provide the resources and networks that individuals need to build new lives The average median income of residents is only $22,351, with 24 5% of residents living below the federal poverty level The Tenderloin is a very diverse community, 16 5% of residents are African American, 13 5% are Latino, 25% are Asian, and 0 4% are Native Hawaiian or Other Pacific Islander The North of Market Community Benefit District was established in 2005 with the goal of providing consistent cleaning, beautification and safety services to the Tenderloin These services are paid for by a tax on property owners In 2009, the Tenderloin was deemed a National Historic District Chinatown Established in the 1850's this neighborhood is one of the oldest Chinatowns in Northern California Chinatown's architecture, restaurants and shopping make it one of the city's most popular tourist destinations Chinatown is one of the city's most densely populated neighborhoods with 13,716 residents living in this small area Since the neighborhood's birth in the 1800's it has been home to many immigrants Today, 16% of its residents live below the poverty line The median income of residents living in Chinatown is $31,542 A majority (58%) of residents living in this neighborhood are Asian or Pacific Islander Only 1 3% of residents living in Chinatown are African American and 4 2% are Hispanic or Latino 61% of residents speak a language other than English at home South of Market Area South of Market Area (SOMA) is the fastest growing neighborhood in San Francisco with a population of 23,016 residents Dozens of high rise condos and retail outlets are currently under development This neighborhood exhibits high poverty rates, particularly for adults and seniors There is a high near poverty rate among Children and in SOMA, unemployment and labor force non-participation continue to be issues for residents 22 5% of SOMA residents live below the federal poverty line SOMA is a very diverse neighborhood 11 8% of residents are African American, 24 9% are Asian or Pacific Islander and 25 1% are Hispanic or Latino 49% of SOMA residents speak a language other than English at home The Transbay Terminal Replacement Project, along with many new residential high rises, is transforming the city's skyline and these neighborhood demographics However, the neighborhood is still home to a number of single room occupancy hotels and poor persons The community has been federally designated as a Medically Underserved Area/Population, given that 5 Federally Qualified Health Centers (FQHC) are located in the 94102, 94103 and 94133 zip codes They are Glide Health Services, Curry Senior Center, St Anthony's Free Clinic, South of Market Health Center and North East Medical Services Also in the community are non-FQHC clinics and Chinese Hospital

Identifier	ReturnReference	Explanation
Schedule H, Part VI, Line 5 - Promotion of Community Health		The Hospital is governed by a Board of Trustees, the majority of whom reside within its primary service area and who are not employees, contractors or family members thereof All surplus funds generated by SFMH are reinvested back into the organization to improve patient care and provide healthcare services to its community SFMH has an open medical staff with privileges available to all qualified physicians in the area, In addition, SFMH furthers its exempt purpose by promoting the health of the community by exercising the following - Operating an emergency room that is open to all persons regardless of ability to pay, - Partnering with Glide Health Clinic, an FQHC serving the underserved in the Tenderloin Neighborhood - Engaging in the training and education of health care professionals

Identifier	ReturnReference	Explanation
Schedule H, Part VI, Line 6 - Affiliated Health Care System		SFMH is affiliated with Dignity Health Affiliates of Dignity Health also promote the health of additional communities in Bakersfield, San Bernardino, San Francisco, San Andreas, and Grass Valley/Nevada City, California These affiliates follow practices similar to those noted above in determining the unmet healthcare needs of their communities Total unsponsored community benefit expense for Dignity Health and its subordinate corporations for the year ended June 30, 2012, is as follows Persons Net Comm % of Served Benefit Exp excl Bad Debt Benefits for the Poor Traditional Charity Care 108,530 188,380,000 2 0% Unpaid Costs of Medicaid/Medi-Cal 1,060,508 571,491,000 6 0% Other Means-tested Programs 280,517 66,067,000 0 7% Community Services Community Health Services 525,831 53,467,000 0 6% Health Professions Education 86 27,000 0 0% Subsidized Health Services 193,751 28,297,000 0 3% Donations 155,219 33,140,000 0 3% Community Building Activities 12,811 1,623,000 0 0% Community Benefit Operations 3,884 8,911,000 0 1% Total Community Services for the poor 891,582 125,465,000 1 3% Total Benefits for the Poor 2,341,137 951,403,000 10 0% Benefits for the Broader Community Community Services Community Health Services 585,949 17,034,000 0 2% Health Professions Education 68,974 69,132,000 0 7% Subsidized Health Services 9,430 2,210,000 0 0% Research 26,281 30,049,000 0 3% Donations 165,149 7,584,000 0 1% Community Building Activities 38,641 3,138,000 0 0% Community Benefit Operations 87 1,446,000 0 0% Total Benefits for the Broader Community 894,511 130,593,000 1 3% Total Community Benefits 3,235,648 1,081,996,000 11 3% Unpaid Costs of Medicare 1,116,214 519,981,000 5 4% Total Community Benefits including Cost of Medicare 4,351,862 1,601,977,000 16 7%

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	CA,

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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
Saint Francis Memorial Hospital

Employer identification number
94-1156295

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) San Francisco Foundation Community Initiative354 Pine St Ste 700 San Francisco, CA 94104	94-3255070	501(c)(3)	6,000	0	N/A	N/A	Social Health
(2) Hospital Council of Northern & Central California 1215 K St 800 Sacramento, CA 95814	94-1533644	501(c)(6)	40,942	0	N/A	N/A	Social Health
(3) ICA San Francisco Work Study3625 24th St San Francisco, CA 94110	26-4450576	501(c)(3)	14,500	0	N/A	N/A	Educational Support
(4) California Health Foundation and Trust1215 K Street Ste 800 Sacramento, CA 95814	94-1498697	501(c)(3)	360,040	0	N/A	N/A	Service for the Poor
(5) Dignity Health Medical Foundation3400 Data Drive Rancho Cordova, CA 95670	68-0220314	501(c)(3)	731,240	0	N/A	N/A	Medical Fnd Support
(6) Saint Francis Foundation 900 Hyde Str San Francisco, CA 94109	94-2597514	501(c)(3)	90,506	0	N/A	N/A	Foundation Support

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . ▶ 5

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

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) PROVISION OF FOOD	6350		5,090	COST	FOOD

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
PART I, LINE 2		As a 501(c)(3) organization, we provide assistance to various charitable organizations to promote Dignity Health's Mission A designated Committee establishes and evaluates priorities and allocation of funds with emphasis on promotion of healthy communities and community collaboration We do not monitor and report program outcomes Spending is tracked on an ongoing basis to ensure that annual spending is within the budgeted amount

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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.

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2011

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Name of the organization
Saint Francis Memorial Hospital

Employer identification number
94-1156295

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
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
PART I, LINE 3		Although the organization employs personnel, the Organization relied on a related organization, Dignity Health, that used one or more of the methods described in Schedule J, Part I, Line 3, to establish the Organization's President's compensation See Schedule O disclosure for Form 990, Part VI, Section B, Line 15a for additional information
Schedule J, J-1		SFMH does not compensate directors, Dr Amy Bossen, Dr Gary Chan, Dr David J Malone and Dr Victor Prieto for their services as board members All compensation and benefits reported represent compensation as Medical Directors of SFMH
PART I, LINE 4a		The employees paid by the parent organization participate in a severance plan that provides market-standard compensation, ranging from payments of 6 months to 2 years of base compensation, depending on the executive's position, in the event of a position elimination or other involuntary termination, in accordance with the guidelines of the plan The organization's non-contractual employees participate in a severance plan that provides fair compensation, ranging from payments of 2 weeks to 18 weeks of base compensation, depending on the employee's position, in the event of a position elimination or other involuntary termination, in accordance with the guidelines of the plan Severance for employees covered by collective bargaining agreements varies by agreement PAYMENTS WERE MADE TO ONE key employee DURING 2011 PURSUANT TO THIS PLAN, A JACKSON, $136,967
PART I, LINE 4b		Certain listed persons are eligible to participate in a nonqualified 457(f) plan that is subject to substantial risk of forfeiture, as required by the IRS The 2007 Executive Deferred Compensation Plan is for executives hired prior to June 30, 2006 The benefit is intended to bridge the difference, if any, between the benefit provided under the Dignity Health Excess Benefit Plan had benefit service not been frozen at January 1, 2008, and the benefits provided from all other qualified and non-qualified plans No benefit under this formula will vest under this 457(f) plan before the attainment of age 62 or the completion of 15 years of service No payments were made to any listed persons during 2011 pursuant to this plan Certain listed persons participate in the Dignity Health Excess Benefit Plan, a nonqualified supplemental benefit plan limited to participants in the Dignity Health retirement plan whose benefits are affected by the limitations imposed by Sections 401(a)(17) and 415 of the Internal Revenue Code Benefit service under this plan was frozen as of January 1, 2008 No payments were made to any listed persons during 2011 pursuant to this plan Certain listed persons participate in the Dignity Health Key Employee Share Option Plan (KEYSOP), which was frozen in May 2002 The KEYSOP program was established in 2001 with the purpose of providing income deferral opportunities to employees eligible for the company's key employee retention program No payments were made to any listed persons during 2011 pursuant to this plan
PART II, SUPPLEMENTAL DISCLOSURES		The organization's executive compensation philosophy is designed to assist the organization in attracting and retaining the caliber of executives required to enable the organization to fulfill its mission of providing high quality healthcare for all persons regardless of their ability to pay for services, improving the quality of life in the communities the organization serves, promoting employee satisfaction, and ensuring financial stability A substantial portion of executive compensation is performance based and is linked to organizational goals approved in advance by the Compensation and Benefits Committee These goals include attainment of annual and long-term financial performance, certain healthcare quality standards and the organization's commitment to serving the poor and disenfranchised in the communities it serves

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

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2011

Open to Public Inspection

Name of the organization
Saint Francis Memorial Hospital

Employer identification number
94-1156295

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITHY	52-1643828	13033FYE4	11-10-2005	200,000,000	NEW MONEY TO FINANCE CAPITAL EXPEN		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0			
2	Amount of bonds defeased	0			
3	Total proceeds of issue	10,092,698			
4	Gross proceeds in reserve funds	0			
5	Capitalized interest from proceeds	113,606			
6	Proceeds in refunding escrow	0			
7	Issuance costs from proceeds	0			
8	Credit enhancement from proceeds	0			
9	Working capital expenditures from proceeds	0			
10	Capital expenditures from proceeds	9,979,093			
11	Other spent proceeds	0			
12	Other unspent proceeds	0			
13	Year of substantial completion	2007			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X							
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?	X							
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X							
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		0 396 %						
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶		0 026 %						
6	Total of lines 4 and 5		0 422 %						
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X							
2	Is the bond issue a variable rate issue?	X							
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider	0							
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider	0							
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?	X							
6	Did the bond issue qualify for an exception to rebate?		X						

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
BOND A CUSIP 13033FYE4	0	THE DIFFERENCE BETWEEN THE ISSUE PRICE IN PART 1(E) AND PART II Line 3 IS DUE TO INVESTMENT EARNINGS ST FRANCIS MEMORIAL HOSPITAL AS A SEPARATE ENTITY RECEIVED $10 MILLION OF THE $200 MILLION CHFFA 2005HI POOL BONDS Part III, Line 3A ALTHOUGH THERE ARE MANAGEMENT OR SERVICE CONTRACTS THAT MAY GENERATE PRIVATE USE, WE HAVE POLICIES AND PROCEDURES IN PLACE THAT REQUIRE SUCH CONTRACT BE IN COMPLIANCE WITH REVENUE PROCEDURE 97-13 Part III, Line 3B ALTHOUGH THERE ARE RESEARCH AGREEMENTS WHICH MAY RESULT IN PRIVATE USE, WE HAVE POLICIES AND PROCEDURES IN PLACE THAT REQUIRE SUCH CONTRACT BE IN COMPLIANCE WITH REVENUE PROCEDURE 2007-47

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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.

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Saint Francis Memorial Hospital

Employer identification number
94-1156295

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	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	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
(1) DR DAVID DUONG PHYSICIAN LOAN		X	300,000	206,742		No	Yes		Yes	
(2) DR DAVID DUONG HOUSING LOAN		X	150,000	79,628		No	Yes		Yes	
Total . . . . . ▶ $				286,370						

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) HADDAD LANZEROTTI MALIN et al	Gores and Malin - BOD	73,497	Payment for medical Services		No
(2) HADDAD LANZEROTTI MALIN et al	Gores and Malin - BOD	88,076	LEASING		No
(3) BREALLO'BRIENLEESOTOCHUNTENG	PETER TENG - BOD	179,309	Payment for medical Services		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Saint Francis Memorial Hospital

Employer identification number
94-1156295

Identifier	Return Reference	Explanation
Form 990, PART VI, XI and XII		FORM 990, PART VI, SECTION A, LINE 2 Drs Malin and Gores are partners in a Medical Group practice FORM 990, PART VI, SECTION A, LINE 6 The sole corporate member is Dignity Health, a 501(c)(3) exempt organization FORM 990, PART VI, SECTION A, LINE 7a Dignity Health, as the sole corporate member, ratifies the selection of members and the Dignity Health Board approves new Board members of the organization FORM 990, PART VI, SECTION A, LINE 7b Reserved rights of the corporate member include adoption of mission and philosophy statements, amendment or restatement of articles of incorporation and bylaws, dissolution of the corporation, acquisition of another corporation, creation of a new subsidiary, merger or consolidation with another corporation, participation as a general or limited partner in any venture, incurring long-term indebtedness in excess of normal operating requirements, ratification of board member appointments and dismissals, selection and removal of independent auditors, and transactions outside the ordinary course of business FORM 990, PART VI, SECTION B, LINE 11A The form 990 was reviewed by finance and accounting (regional Dignity Health management and corporate tax department), which worked closely with an independent accounting firm engaged to review the return The Board of Trustees has delegated the review of the Form 990 to the Finance Committee Management provided the draft of the Form 990 to the Finance Committee before filing the return with the IRS for discussion at the committee meeting The draft was complete except it excluded compensation information Subsequent to its review, the Finance Committee reported back to the Board regarding its review and provided a draft to the Board of Trustees, again excluding compensation FORM 990, PART VI, SECTION B, LINE 12c The Organization has adopted Dignity Health's Conflicts of Interest Policy The Organization's Board is charged with monitoring proposed or ongoing transactions for conflicts of interest and addressing any potential or actual conflicts Pursuant to these policies, an annual conflict of interest disclosure statement, aimed at determining any family and business relationships and transactions, or other transactions that may pose a potential conflict, is distributed to all covered persons (e g , board members, officers and executive leadership, key employees and all management personnel whose responsibilities include business decisions which may give rise to conflicts of interest) Covered persons are also required to disclose real or potential conflicts at the time such conflicts arise When an individual becomes a covered person and annually thereafter, each covered person is required to submit an updated disclosure statement and to sign a statement affirming that he/she (1) has received a copy of the policy applicable to their position, (2) has read the policy and understands said policy, and (3) agrees to comply with all requirements of the policy, including completing the conflicts of interest disclosure statement As required by the policy, the President/CEO and EVP/General Counsel prepare annual reports of reported conflicts of interest which are provided to the Board of Directors, Committee Chairs, and key leaders of the organization to enable responsible individuals to monitor and manage disclosed conflicts of interest in the organization's best interests The procedures for addressing any conflict of interest related to a proposed transaction include, but are not limited to, the following (1) the conflicting interest is fully disclosed to the Board, (2) the interested person responds to factual questions related to the substance of the transaction or arrangement being considered, after which he/she shall leave the meeting, (3) the person with the conflict of interest is excluded from the discussion and approval of such transaction, (4) if warranted, alternatives to the proposed transaction are investigated, and competitive bids or comparable valuations are obtained, (5) the transaction or action must be approved by a majority of disinterested persons, based on certain criteria, and (6) any conflicting issues arising during the course of a Board meeting which cannot be resolved may be referred to an independent committee of the Board of Directors FORM 990, PART VI, SECTION B, LINE 15a Although the organization employs personnel, the President is compensated by Dignity Health For 2011, Dignity Health's Compensation and Benefits department conducted an annual review and analysis to provide benchmarking data for the total compensation and benefits package of the President Appropriate comparability data for similar jobs in peer companies (both taxable and tax-exempt) is obtained from independent third-party survey sources FORM 990, PART VI, SECTION B, LINE 15b For 2011, the parent organization's human resources department conducted an annual review and analysis to provide benchmarking data for the total compensation and benefits package of key executives The compensation for these individuals was based on the qualification and experience of the candidates Compensation is also reviewed annually as part of the merit increase process FORM 990, PART VI, SECTION B, LINE 19 Federal tax laws do not mandate that the organization's governing documents, conflict of interest policy and financial statements be made available for public inspection The organization makes its financial statements available on its website and upon request Form 990, PART XI, LINE 5 Change in unrealized gains in the amount of $(2,695,462) Interest in net assets of unconsolidated foundation in the amount of $(1,692,922) SHARED JOINT VENTURE FUND BALANCE $(185,494) Form 990, Part XII, Line 3b The organization's federal awards were included in Dignity Health's consolidated OMB Circular A-133 audited Schedule of Federal Expenditures
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Anna Cheung TITLE Board Member HOURS 40
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Glenna Vaskelis TITLE Board Member HOURS 40

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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.

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2011

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Name of the organization
Saint Francis Memorial Hospital

Employer identification number
94-1156295

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) DIGNITY HEALTH 185 Berry Street San Francisco, CA 94107 94-1196203	Hospital	CA	501(C)(3)	3	NA		No

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

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

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

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

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i		No
j Lease of facilities, equipment, or other assets from related organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l	Yes	
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n		No
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p		No
q Other transfer of cash or property to related organization(s)	1q	Yes	
r Other transfer of cash or property from related organization(s)	1r		No

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) NONE			
(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	

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

Consolidated Financial Statements as of and for the Years Ended June 30, 2012 and 2011 and Independent Auditors' Report

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

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Deloitte

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dignity Health
San Francisco, California

We have audited the accompanying consolidated balance sheets of Dignity Health and Subordinate Corporations ("Dignity Health") 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 Dignity Health'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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Dignity Health'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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Dignity Health as of June 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The unsponsored community benefit expense information in Note 4, which is the responsibility of Dignity Health's management, is not a required part of the basic financial statements, and we did not audit or apply limited procedures to such information and we do not express any assurances on such information.

Deloitte & Touche LLP

September 25, 2012

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED BALANCE SHEETS
June 30, 2012 and 2011 (in thousands)

Assets	2012	2011
Current assets		
Cash and cash equivalents	$ 406,052	$ 704,044
Short-term investments	932,864	825,849
Collateral held under securities lending program	335,968	290,526
Assets limited as to use	1,242,277	828,632
Patient accounts receivable, net of allowance for doubtful accounts of $351,387 and $297,294 in 2012 and 2011, respectively	1,282,895	1,257,296
Broker receivables for unsettled investment trades	20,534	200,150
Other current assets	815,632	542,936
Total current assets	5,036,222	4,649,433
Assets limited as to use		
Board-designated assets (including $351,400 and $308,202 of assets loaned under securities lending program in 2012 and 2011, respectively) for		
Capital projects	3,211,433	3,139,101
Workers' compensation	448,107	367,554
Hospital professional and general liability	202,316	162,091
Under bond indenture agreements for		
Capital projects	214,930	51,679
Debt service	140,600	190,975
Bond reserves	20,631	26,387
Donor-restricted	417,061	439,932
Other	68,202	68,213
Less amount required to meet current obligations	(1,242,277)	(828,632)
Net assets limited as to use	3,481,003	3,617,300
Property and equipment, net	4,216,570	4,102,551
Ownership interests in health-related activities	570,873	558,178
Other long-term assets, net	239,327	196,163
Total assets	$ 13,543,995	$ 13,123,625

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED BALANCE SHEETS
June 30, 2012 and 2011 (in thousands)

Liabilities and Net Assets	2012	2011
Current liabilities		
Current portion of long-term debt	$ 295,920	$ 107,381
Demand bonds subject to short-term liquidity arrangements, excluding current maturities	785,400	574,000
Accounts payable	531,441	418,155
Payable under securities lending program	336,357	291,148
Accrued salaries and benefits	518,147	507,915
Accrued workers' compensation	46,938	31,647
Accrued hospital professional and general liability	69,885	61,304
Pension and other postretirement liabilities	318,633	278,369
Broker payables for unsettled investment trades	20,644	293,063
Other accrued liabilities	691,965	577,979
Total current liabilities	3,615,330	3,140,961
Other liabilities		
Workers' compensation	341,200	234,938
Hospital professional and general liability	212,712	228,559
Pension and other postretirement liabilities	1,093,155	598,697
Other	111,966	115,823
Total other liabilities	1,759,033	1,178,017
Long-term debt, net of current portion	3,440,794	3,556,817
Total liabilities	8,815,157	7,875,795
Net assets		
Unrestricted - attributable to Dignity Health	4,177,650	4,715,076
Unrestricted - noncontrolling interest	137,870	98,304
Temporarily restricted	308,445	326,503
Permanently restricted	104,873	107,947
Total net assets	4,728,838	5,247,830
Total liabilities and net assets	$ 13,543,995	$ 13,123,625

(Concluded)

See notes to consolidated financial statements

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED June 30, 2012 and 2011 (in thousands)

	2012	2011
Unrestricted revenues and other support		
Net patient revenue	$ 9,583,948	$ 9,332,840
Premium revenue	589,077	558,103
Revenue from health-related activities, net	60,263	134,528
Other operating revenue	272,246	241,865
Contributions	16,734	15,320
Total unrestricted revenues and other support	10,522,268	10,282,656
Expenses		
Salaries and benefits	5,120,288	4,984,330
Supplies	1,376,472	1,371,824
Provision for bad debts	891,179	811,904
Purchased services and other	2,319,485	2,297,390
Depreciation	425,949	417,984
Interest expense, net	293,910	156,528
Special charges	35,873	-
Total expenses	10,463,156	10,039,960
Operating income	59,112	242,696
Other income		
Investment income, net	73,437	717,851
Excess of revenues over expenses	$ 132,549	$ 960,547

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED June 30, 2012 and 2011 (in thousands)

	2012	2011
Unrestricted net assets		
Excess of revenues over expenses	$ 132,549	$ 960,547
Change in net unrealized gains (losses) on available-for-sale investments	(2,934)	5,528
Net assets released from restrictions used for purchase of property and equipment	26,247	14,479
Change in funded status of pension and other postretirement benefit plans	(582,711)	324,174
Loss from discontinued operations (including property value loss of $82.6 million and $0 in 2012 and 2011, respectively)	(126,727)	(41,779)
Change in noncontrolling interest in health-related activities	39,566	9,099
Change in accumulated unrealized derivative gains, net	2,683	9,055
Funds donated from unconsolidated sources for purchase of property and equipment	15,664	14,207
Other	(2,197)	2,379
Increase (decrease) in unrestricted net assets	(497,860)	1,297,689
Temporarily restricted net assets		
Contributions	38,231	39,025
Net realized and unrealized gains (losses) on investments	(134)	7,166
Net assets released from restrictions	(50,505)	(37,829)
Change in interest in net assets of unconsolidated foundations	(536)	29,093
Other	(5,114)	(1,993)
Increase (decrease) in temporarily restricted net assets	(18,058)	35,462
Permanently restricted net assets		
Contributions	25	2,289
Net realized and unrealized gains on investments	77	62
Change in interest in net assets of unconsolidated foundations	51	5,961
Other	(3,227)	560
Increase (decrease) in permanently restricted net assets	(3,074)	8,872
Increase (decrease) in net assets	(518,992)	1,342,023
Net assets, beginning of year	5,247,830	3,905,807
Net assets, end of year	$ 4,728,838	$ 5,247,830

(Concluded)

See notes to consolidated financial statements

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED June 30, 2012 and 2011 (in thousands)

	2012	2011
Cash flows from operating activities		
Change in net assets	$ (518,992)	$ 1,342,023
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation, including discontinued operations	431,025	432,438
Amortization	(481)	1,693
Health-related activities		
Equity in earnings	(39,679)	(118,427)
Change in control of consolidated entities	(40,268)	-
Gain, net, on disposal of assets	(1,030)	(43,082)
Property value adjustments, including discontinued operations	84,097	-
Software development abandonment	22,019	-
Restricted contributions and investment income, net	(38,199)	(44,553)
Change in funded status of pension and other postretirement benefit plans	582,711	(324,174)
Undistributed portion of change in net assets of unconsolidated foundations	485	(35,054)
Change in net realized and unrealized gains on investments	13,022	(632,368)
Change in fair value of swaps	117,358	(50,038)
Changes in certain assets and liabilities		
Accounts receivable, net	(15,260)	(53,621)
Accounts payable	98,874	23,963
Workers' compensation and hospital professional and general liabilities	12,969	122,359
Accrued salaries and benefits	9,264	22,299
Pension and other postretirement liabilities	(47,988)	15,203
Provider fee assets and liabilities	(192,445)	58,917
Other accrued liabilities	(80,021)	(2,261)
Other, net	(68,338)	(49,740)
Cash provided by operating activities	329,123	665,577

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED June 30, 2012 and 2011 (in thousands)

	2012	2011
Cash flows from investing activities		
Purchase of investments	(7,218,347)	(7,016,253)
Proceeds from sale of investments	6,806,363	6,878,766
Cash proceeds on disposal of assets, including discontinued operations	54,424	447
Investments in health-related activities	(15,911)	(8,629)
Cash distributions from health-related activities	19,050	30,000
Additions to operating property and equipment, including discontinued operations	(608,327)	(610,078)
Increase in securities lending collateral	(45,209)	(17,203)
Other, net	26,218	(2,692)
Cash used in investing activities	(981,739)	(745,642)
Cash flows from financing activities		
Borrowings	1,423,650	133,509
Repayments	(1,144,505)	(204,322)
Increase in payable under securities lending program	45,209	17,203
Restricted contributions and investment income	38,199	44,553
Deferred financing costs	(7,929)	(2,868)
Cash provided by (used in) financing activities	354,624	(11,925)
Net decrease in cash and cash equivalents	(297,992)	(91,990)
Cash and cash equivalents at beginning of year	704,044	796,034
Cash and cash equivalents at end of year	$ 406,052	$ 704,044
Components of cash and cash equivalents and investments at end of year		
Cash and cash equivalents	406,052	704,044
Short-term investments	932,864	825,849
Board-designated assets for capital projects	3,211,433	3,139,101
Total	$ 4,550,349	$ 4,668,994
Supplemental disclosures of cash flow information		
Cash paid for interest, net of capitalized interest	$ 180,949	$ 210,555
Supplemental schedule of noncash investing and financing activities		
Property and equipment acquired through capital lease or note payable	$ 6,503	$ 20,284
Accrued purchases of property and equipment	$ 115,169	$ 61,107
Broker receivables for unsettled investment trades	$ 20,534	$ 200,150
Broker payables for unsettled investment trades	$ 20,644	$ 293,063

(Concluded)

See notes to consolidated financial statements

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED June 30, 2012 and 2011

1. ORGANIZATION

Dignity Health ("the Corporation"), formerly Catholic Healthcare West, is a California nonprofit public benefit corporation exempt from federal and state income taxes In January 2012, the Corporation implemented a governance restructuring and announced its name change The governance restructuring was implemented through revisions to Catholic Healthcare West's corporate documents, including Restated Articles of Incorporation and Restated Bylaws Dignity Health has transitioned to a self-perpetuating Board of Directors structure from the prior structure where the Board of Directors was appointed by Corporate Members, which had been comprised of women religious appointed by the religious orders that sponsored the organization There was no change to the ownership, use of the corporation's assets or federal tax identification number, nor did the governance restructuring impact the corporation's management structure or nonprofit status Dignity Health has received an IRS determination letter to maintain its 501(c)(3) tax-exempt status, retroactive to the application date in December 2011

Dignity Health owns and operates healthcare facilities in California, Arizona and Nevada, and is the sole corporate member (parent corporation) of other primarily nonprofit corporations in California, Arizona and Nevada, which are exempt from federal and state income taxes These organizations provide a variety of healthcare-related activities, education and other benefits to the communities in which they operate Healthcare services include inpatient, outpatient, subacute and home healthcare services, as well as physician services through Dignity Health Medical Foundation and other affiliated medical groups As further discussed in Note 3, in August 2012, Dignity Health acquired a for-profit company that provides occupational health and urgent care services in 15 states

The accompanying consolidated financial statements include Dignity Health and its subordinate corporations and subsidiaries (together "Dignity Health"), as disclosed in Note 18

As part of a system-wide corporate financing plan, Dignity Health established an Obligated Group to access the capital markets and make loans to its members Obligated Group members are jointly and severally liable for the long-term debt outstanding under the Master Trust Indenture None of the other Dignity Health subordinate corporations have assumed any financial obligation related to payment of debt service on obligations issued under the Master Trust Indenture A list of Obligated Group members and other subordinate corporations and subsidiaries is included in Note 18 The Obligated Group's unrestricted net assets represent approximately 96% and 97% of the consolidated unrestricted net assets of Dignity Health at June 30, 2012 and 2011, respectively

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis for Presentation – The accompanying consolidated financial statements include the accounts of Dignity Health after elimination of intercompany transactions and balances Certain reclassifications and changes in presentation were made in the 2011 consolidated financial statements to conform to the 2012 presentation

Statement of Cash Flow Presentation – Subsequent to the issuance of the consolidated financial statements as of and for the year ended June 30, 2011, Dignity Health management determined that the consolidated statement of cash flows should have been adjusted for the impact of the amounts due to/from brokers for unsettled trades on investments, and the impact of funds donated from unconsolidated sources for the purchase of property and equipment As a result, amounts in the consolidated statement of cash flows for the year ended June 30, 2011, have been restated as follows, purchases of investments increased by $47,116, proceeds from sales of investments decreased by $43,906, additions to operating property and equipment

increased by $14,207, and other changes in cash flows from operating activities increased by $105,229 Total cash provided by operating activities increased by $105,229 and the total cash used in investing activities increased by $105,229 for the year ended June 30, 2011 There were no changes to the net decrease in cash and cash equivalents or the total cash and cash equivalents within the consolidated statement of cash flows

Additionally, within cash flows from operating activities for the year ended June 30, 2011, Dignity Health reclassified provider fee assets and liabilities of $58,917 to a separate line item from its previous presentation within other changes to conform to the current year presentation

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular facts and circumstances Actual results could differ from those estimates

Cash and Cash Equivalents – Cash and cash equivalents consist primarily of cash and highly liquid marketable securities with an original maturity of three months or less

Securities Lending Program –Dignity Health participates in securities lending transactions with its custodian whereby Dignity Health lends a portion of its investments to various brokers in exchange for collateral for the securities loaned, usually on a short-term basis Dignity Health maintains effective control of the loaned securities through its custodian during the term of the arrangement in that they may be recalled at any time Collateral is provided by brokers at an amount equal to at least 100% of the original value of the securities on loan, and is subsequently adjusted for market fluctuations Dignity Health must return to the borrower the original value of collateral received regardless of the impact of market fluctuations Under the terms of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed

The securities on loan under this program are recorded in Board-designated assets in the accompanying consolidated balance sheets Dignity Health receives both cash and non-cash collateral Cash collateral is recorded as an asset of the organization The market value of collateral held for loaned securities is reported as collateral held under securities lending program, and an obligation is reported for repayment of collateral upon settlement of the lending transaction as payable under securities lending program

Inventory – Inventories are stated at the lower of cost or market value, determined using the first-in, first-out method

Broker Receivables and Payables for Unsettled Investment Trades – Dignity Health accounts for its investments on a trade date basis Amounts due to/from brokers for investment activity for transactions that have been initiated prior to the consolidated balance sheet date that are formally settled subsequent to the consolidated balance sheet date are recorded in broker receivables for unsettled investment trades for sales of investments and in broker payables for unsettled investment trades for purchases of investments

Investments and Investment Income – The Dignity Health Board of Directors Investment Committee establishes guidelines for investment decisions Within those guidelines, Dignity Health invests in equity and debt securities which are measured at fair value and are classified as trading securities

Dignity Health also invests in alternative investments through limited partnerships Alternative investments are comprised of private equity, real estate, hedge fund and other investment vehicles Dignity Health receives a proportionate share of the investment gains and losses of the partnerships The limited partnerships generally contract with managers who have full discretionary authority over the investment decisions, within Dignity Health's guidelines These alternative investment vehicles invest in equity securities, fixed income securities, currencies, real estate, commodities, and derivatives

Dignity Health accounts for its ownership interests in these alternative investments under the equity method, whose value is based on the net asset value ("NAV"), which approximates fair value, and is determined using investment valuations provided by the external investment managers and fund managers or the general partners

Alternative investments generally are not marketable and many alternative investments have underlying investments which may not have quoted market values The estimated value of such investments is subject to uncertainty and could differ had a ready market existed Such differences could be material Dignity Health's risk is limited to its capital investment in each investment and capital call commitments as discussed in Note 7

Investment income or loss is included in excess of revenues over expenses unless the income or loss is restricted by donor or law Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects

Board-Designated Assets for Capital Projects – The Board of Directors has a policy of funding depreciation, to the extent that funds are available, to be used for replacement, expansion and improvement of operating property and equipment

Deferred Financing Costs and Original Issue Discounts/Premiums on Bond Indebtedness – Dignity Health amortizes deferred financing costs and original issue discounts/premiums on bond indebtedness over the estimated average period the related bonds will be outstanding Deferred financing costs are included in other long-term assets Original issue discounts/premiums are recorded with the related debt

Property and Equipment – Property and equipment are stated at cost, if purchased, and at fair market value, if donated Depreciation of property and equipment is recorded using the straight-line method for financial statement purposes Amortization of capital leases is included in depreciation expense Estimated useful lives by major classification are as follows

Land improvements	2 to 40 years
Buildings	3 to 65 years
Equipment	2 to 40 years
Software development	5 to 10 years

Asset Retirement Obligations – Dignity Health recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets

Asset Impairment – Dignity Health routinely evaluates the carrying value of its long-lived assets and goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows generated by the underlying tangible assets When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized The impairment tests are based on financial projections prepared by management that incorporate anticipated results from programs and initiatives being implemented If these projections are not met, or if negative trends occur that impact the future outlook, the value of long-lived assets may be impaired, which could be material Other than the asset impairment charges recognized with respect to Saint Mary's Regional Medical Center discussed in Note 3, no other significant asset impairment charges were recorded in 2012 or 2011

Fair Value of Financial Instruments – The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities The fair value of investments is disclosed in Note 7 and the fair value of debt is disclosed in Note 13

Derivative Instruments – Dignity Health utilizes derivative arrangements to manage interest costs and the risk associated with changing interest rates Dignity Health records derivative instruments on the consolidated balance sheet as either an asset or liability measured at its fair value See Notes 7 and 14

Dignity Health does not currently have derivative instruments that are designated as hedges For derivative instruments that have discontinued hedge accounting treatment, the cumulative amount that has been charged or credited to net assets is reclassified to interest expense, net, in the consolidated statements of operations and changes in net assets in the same period or periods during which the previously hedged transaction affects excess of revenues over expenses

For derivative instruments that have not been designated as hedges, changes in fair value are included in interest expense, net, in the consolidated statements of operations and changes in net assets

Ownership Interests in Health-Related Activities – Generally, when the ownership interest in health-related activities is more than 50% and Dignity Health has a controlling interest, the ownership interests are consolidated and a noncontrolling interest is recorded in unrestricted net assets Changes in noncontrolling interests related to revenues, expenses, gains and losses of consolidated investments in health-related activities are recorded in purchased services and other expense When the ownership interest is at least 20%, but not more than 50%, or Dignity Health has the ability to exercise significant influence over operating and financial policies of the investee, it is accounted for under the equity method and the income or loss is reflected in revenue from health-related activities, net Ownership interests for which Dignity Health's ownership is less than 20% or for which Dignity Health does not have the ability to exercise significant influence are carried at the lower of cost or estimated net realizable value Other than the investments in Scripps Health, Mercy Care Plan and Phoenix Children's Hospital, Inc (Note 10), these ownership interests are not material to the consolidated financial statements

Self-Insurance Plans – Dignity Health has established self-insurance programs for workers' compensation benefits for employees and for hospital professional and general liability risks Annual self-insurance expense under these programs is based on past claims experience and projected losses Actuarial estimates of uninsured losses for each program at June 30, 2012 and 2011, have been accrued as liabilities and include an actuarial estimate for claims incurred but not reported Liabilities as of June 30, 2011, were determined using a 70% confidence level and discounted at 4 25% In July 2011, Dignity Health discontinued the application of a discount factor and confidence level in determining its actuarially estimated liabilities and changed to present the liabilities on an expected, undiscounted basis, which resulted in a $3 5 million increase in self-insurance expense during the year ended June 30, 2012

Dignity Health has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities Dignity Health adopted the provisions of ASU 2010-24, *Health Care Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries*, prospectively beginning July 2011 This resulted in the reclassification of $101 3 million in anticipated insurance recoveries from excess workers' compensation insurers, which were previously netted against liabilities for self-insurance programs, to a receivable within board-designated assets limited as to use for workers' compensation All subsequent changes to such anticipated insurance recoveries are recorded to the receivable in the same manner This change had no effect on expenses or net assets

Dignity Health maintains separate trusts for these programs from which claims and related expenses and costs of administering the plans are paid Dignity Health's policy is to fund the trusts such that over time, assets held equal liabilities for claims incurred for workers' compensation and claims made for professional liability risks

Self-insurance expense decreased by $16 2 million in 2012 and increased by $63 5 million in 2011, related to revisions to prior years' actuarially estimated liabilities, including the effect of the change in discount factor and confidence level discussed above The expenses and related adjustments are recorded in salaries and benefits for workers' compensation benefits and in purchased services and other for hospital

professional and general liability risks in the accompanying consolidated statements of operations and changes in net assets

Patient Accounts Receivable, Allowance for Doubtful Accounts and Net Patient Revenue – Dignity Health has agreements with third-party payors that provide for payments at amounts different from each hospital's established rates Patient accounts receivable and net patient revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered

Dignity Health regularly reviews accounts and contracts and provides appropriate contractual allowances, reserves for charity and uncollectible amounts that are netted against patient accounts receivable in the consolidated balance sheet Management periodically reviews the adequacy of the allowance for uncollectible accounts based on historical experience, trends in health care coverage, and other collection indicators

As part of Dignity Health's mission to serve the community, Dignity Health provides care to patients even though they may lack adequate insurance or may participate in programs with negotiated or regulated amounts Dignity Health makes every effort to determine if a patient qualifies for charity care upon admission, though determination may also be made at a later time After satisfaction of amounts due from insurance, the application of any financial, uninsured or other discounts or payments received on the account, and reasonable efforts to collect from the patient have been exhausted, Dignity Health follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Dignity Health

Payment arrangements with third-party payors include prospectively determined rates per discharge, per diem payments, discounted charges and reimbursed costs Net patient revenue includes estimated settlements under negotiated payment agreements with third-party payors Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined

Inpatient acute care services, outpatient services and skilled nursing services rendered to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Certain inpatient nonacute services and medical education costs related to Medicare beneficiaries are paid based on a cost settlement methodology

Medicaid and contracted-rate payors are paid on a per diem, per discharge, modified cost or capitated basis, or a combination of these

Gross patient revenue is recorded on the basis of usual and customary charges Gross patient revenue was $37 8 billion and $36 7 billion in 2012 and 2011, respectively The percentage of inpatient and outpatient services is as follows

	2012	2011
Inpatient services	64%	66%
Outpatient services	36%	34%

The following table reflects the estimated percentage of gross patient revenues by major payor groups

	2012	2011
Medicare fee for service	32%	31%
Medicare capitated	1%	1%
Medicare managed care fee for service	9%	9%
Medicaid fee for service	13%	16%
Medicaid capitated	0%	0%
Medicaid managed care fee for service	8%	6%
Contracted rate payors	26%	27%
Commercial capitated	2%	2%
Self pay	5%	4%
Other	4%	4%
Total	100%	100%

Beginning in 2009, the State of California established provider fee programs Net patient revenue includes $575 3 million and $583 7 million related to supplemental Medi-Cal payments provided under the California provider fee programs in 2012 and 2011, respectively These programs are funded by quality assurance fees paid by participating hospitals and matching federal funds Dignity Health recorded $320 7 million and $359 1 million in such fees in purchased services and other expense in 2012 and 2011, respectively Grant payments to the California Health Foundation and Trust ("CHFT") were recognized in connection with the provider fee programs resulting in $20 9 million and $25 8 million recorded in purchased services and other expense in 2012 and 2011, respectively Total net income recognized in 2012 and 2011 related to the provider fee programs was $233 7 million and $198 8 million, respectively

The most recent provider fee legislation was enacted in September 2011, covering the 30-month period from July 1, 2011 through December 31, 2013 The legislation is subject to CMS review and approval To date, CMS has approved a major portion of the legislation, and as such, amounts reported above include $132 2 million related to this program Advocacy efforts are currently underway to promote the enactment of provider fee arrangements to cover periods beyond December 2013 There is no certainty that such efforts will be successful and that these payments will continue

In 2012 and 2011, net patient revenue included $53 9 million and $39 3 million, respectively, relating to net prior years' settlements from Medicare, Medicaid and other programs, including $69 3 million in 2012 for settlement of an appeal with CMS related to underpayments that occurred between 1998 and 2011 as a result of errors in the Medicare inpatient wage index calculation

Certain hospitals qualified for and received Medi-Cal funding as disproportionate-share hospitals from the State of California in 2012 and 2011 The amounts received were $82 0 million (of which $23 8 million related to prior years) and $74 1 million, respectively, and are included in net patient revenue

Premium Revenue – Dignity Health has at-risk agreements with various payors to provide medical services to enrollees Under these agreements, Dignity Health receives monthly payments based on the number of enrollees, regardless of services actually performed by Dignity Health Dignity Health accrues costs when services are rendered under these contracts, including estimates of incurred but not reported ("IBNR") claims and amounts receivable/payable under risk-sharing arrangements The IBNR accrual includes an estimate of the costs of services for which Dignity Health is responsible, including out-of-network services

Traditional Charity Care – Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet Dignity Health's criteria for financial assistance The amount of services quantified as customary charges was $883 7 million and $713 8 million for 2012 and 2011, respectively, including such charges from discontinued operations Dignity Health estimates the cost of charity care by calculating a ratio of cost to gross charges and applying that ratio to the gross uncompensated charges

associated with providing care to patients that qualify for charity care The estimated cost of charity care provided in 2012 and 2011 was $188 4 million and $152 6 million, respectively See Note 4

Other Operating Revenue – Other operating revenue includes meaningful use incentives, net gains and losses on the sale of assets, cafeteria revenues, rental revenues, contributions released from restrictions and other nonpatient-care revenues

The American Recovery and Reinvestment Act of 2009 ("ARRA") established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record ("EHR") technology The Medicare incentive payments are paid out to qualifying hospitals over four consecutive years on a transitional schedule To qualify for Medicare incentives, hospitals and physicians must meet EHR "meaningful use" criteria that become more stringent over three stages as determined by CMS

Medicaid programs and payment schedules vary by state The Medicaid programs in California and Arizona require hospitals to register for the program prior to 2016, to engage in efforts to adopt, implement or upgrade certified EHR technology in order to qualify for the initial year of participation, and to demonstrate meaningful use of certified EHR technology in order to qualify for payment for up to three additional years through 2019 for Arizona and 2021 for California Nevada implemented a similar program in August 2012 requiring hospitals to demonstrate meaningful use of EHR technology by 2016 to qualify for payment for up to two additional years through 2018

In 2012, Dignity Health recorded incentive payments of $21 7 million related to the Medicare program and $38 7 million related to Medicaid programs These incentives have been recognized following the grant accounting model, recognizing income ratably over the applicable reporting period as management becomes reasonably assured of meeting the required criteria

Amounts recognized represent management's best estimates for payments ultimately expected to be received based on estimated discharges, charity care, and other input data Subsequent changes to these estimates will be recognized in other operating revenue in the period in which additional information is available

Contributions and Restricted Net Assets – 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 purpose restriction is met, temporarily restricted net assets related to capital purchases are reclassified as unrestricted and reflected as net assets released from restrictions used for the purchase of property and equipment on the statements of changes in net assets, whereas temporarily restricted net assets related to other gifts are reclassified as unrestricted and recorded as other operating revenue in unrestricted revenues and other support Gifts received with no restrictions are recorded as contributions in unrestricted revenues and other support Gifts of long-lived operating assets, such as property and equipment, are reported as unrestricted net assets unless specified by the donor

Unconditional promises to give cash and other assets to Dignity Health are recorded at fair value at the date the promise is received Conditional promises to give are recorded when the conditions have been substantially met Indications of intentions to give are not recorded, such gifts are recorded at fair value only upon actual receipt of the gift Investment income on temporarily or permanently restricted net assets is classified pursuant to the intent or requirement of the donor

Endowment assets include donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period Dignity Health preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor The portion of donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure Dignity Health considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return

from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of Dignity Health

Dignity Health has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk Actual returns in any given year may vary from this amount To satisfy its long-term rate-of-return objectives, Dignity Health relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) Dignity Health targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that Dignity Health is required to retain as a fund of perpetual duration Deficits of this nature are reported in unrestricted net assets, unless otherwise specified by the donor

Community Benefits – As part of its mission, Dignity Health provides services to the poor and benefits for the broader community The costs incurred to provide such services are included in excess of revenues over expenses in the consolidated statements of operations and changes in net assets Dignity Health prepares a summary of unsponsored community benefit expense in accordance with Internal Revenue Service Form 990, Schedule H, and the Catholic Health Association of the United States ("CHA") publication, *A Guide for Planning and Reporting Community Benefit* See Note 4

Interest Expense – Interest expense on debt issued for construction projects is capitalized until the projects are placed in service The components of interest expense, net, include the following (in thousands)

	2012	2011
Interest and fees on debt and swap cash settlements	$ 204,027	$ 217,720
Market adjustment on swaps and amortization of amounts in unrestricted net assets	120,041	(40,983)
Total interest expense	324,068	176,737
Capitalized interest expense	(30,158)	(20,209)
Interest expense, net	$ 293,910	$ 156,528

Income Taxes – Dignity Health has established its status as an organization exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and the laws of the states in which it operates Certain subsidiaries are subject to income taxes, such amounts are not significant to the consolidated financial statements

Performance Indicator – Management considers excess of revenues over expenses to be Dignity Health's performance indicator Excess of revenues over expenses includes all changes in unrestricted net assets except for the effect of changes in accounting principles, losses from discontinued operations, changes in net unrealized gains and losses on available-for-sale investments, net assets released from restrictions used for purchase of property and equipment, change in funded status of pension and other postretirement benefit plans, change in noncontrolling interest in health-related activities, change in accumulated unrealized derivative gains and losses, and funds donated from unconsolidated sources for purchase of property and equipment

Transactions between Related Organizations – Certain Obligated Group members have a policy whereby assets are periodically transferred as charitable distributions to nonprofit corporations that are subordinate corporations of Dignity Health but are not members of the Obligated Group The subordinate corporations

conduct charitable healthcare, educational and religious activities and support subordinate nonprofit healthcare organizations These transfers are accounted for as direct charges to the Obligated Group members' unrestricted net assets and direct credits to the subordinate corporations' unrestricted net assets It is anticipated that Obligated Group members will continue to make asset transfers to the subordinate corporations

Recent Accounting Pronouncements – In December 2011, the Financial Accounting Standards Board ("FASB") issued ASU No 2011-11, *Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities* ("ASU 2011-11") The amendments in ASU 2011-11 require entities to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position The disclosure requirements of ASU 2011-11, which are to be applied retrospectively, are effective for Dignity Health as of July 1, 2013 The adoption of ASU 2011-11 is not expected to have a material impact on the consolidated financial statements of Dignity Health

In September 2011, the FASB issued Accounting Standards Update ("ASU") No 2011-08, *Testing Goodwill for Impairment* ("ASU 2011-08") The objective of ASU 2011-08 is to simplify how entities test goodwill for impairment The update permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it is necessary to perform the two-step goodwill impairment test The provisions of ASU 2011-08, which are to be applied prospectively, are effective for Dignity Health as of July 1, 2012 The adoption of ASU 2011-08 is not expected to have a material impact on the consolidated financial statements of Dignity Health

In July 2011, the FASB issued ASU No 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* ("ASU 2011-07") which amended Accounting Standards Codification ("ASC") No 954, *Health Care Entities* ("ASC 954") to provide greater transparency regarding a health care entity's net patient revenue and the related allowance for doubtful accounts ASU 2011-07 requires certain health care entities to change the presentation of the provision for bad debts associated with patient service revenue by reclassifying the provision from operating expenses to a deduction from net patient revenue and requires enhanced disclosures about net patient revenue and the policies for recognizing revenue and assessing bad debts The adoption of ASU 2011-07 is effective for Dignity Health beginning July 1, 2012 The adoption of ASU 2011-07 is not expected to have a material impact on Dignity Health's consolidated financial statements

In May 2011, the FASB issued ASU No 2011-04, *Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U S GAAP and IFRSs* ("ASU 2011-04"), which amended ASC No 820, *Fair Value Measurement* ("ASC 820") to change the wording used to describe many of the requirements in U S GAAP for measuring fair value and for disclosing information about fair value measurements Dignity Health adopted the provisions of ASU 2011-04 beginning January 1, 2012 The adoption of ASU 2011-04 did not have a material impact on Dignity Health's consolidated financial statements

In August 2010, the FASB issued ASU No 2010-23, *Health Care Entities (Topic 954), Measuring Charity Care for Disclosure* ("ASU 2010-23"), which requires that cost be used as a measurement for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care It also requires disclosure of the method used to identify or determine such costs Dignity Health adopted the provisions of ASU 2010-23 beginning July 1, 2011 The adoption of ASU 2010-23 did not have a material impact on Dignity Health's consolidated financial statements

Subsequent Events –Dignity Health has evaluated subsequent events occurring between the end of the most recent fiscal year and September 25, 2012, the date the financial statements were available to be issued See Note 3

3. MERGERS, ACQUISITIONS AND DIVESTITURES

In June 2012, Dignity Health and its wholly-owned subsidiary Saint Mary's Multi-Specialty Clinic, Inc (dba, Saint Mary's Medical Group) sold substantially all of the land, buildings, equipment, inventory and certain other property of Saint Mary's Regional Medical Center, a 380-bed hospital, and the operations of Saint Mary's Medical Group, both in Reno, Nevada, to an unrelated party for $50 0 million and the assumption of certain lease obligations pursuant to an asset purchase agreement Property value adjustments were recorded in loss from discontinued operations in the statements of operations and changes in net assets when the assets were recorded as held for sale and a loss of approximately $1 0 million was recorded upon closure of the sale As a result of the sale, approximately $94 0 million in outstanding tax-exempt debt will require remediation within 90 days of the closure of the sale Proceeds from the sale will be used to legally defease $42 1 million of outstanding bond obligations to the first call date This satisfies the remediation requirement The remaining bonds will remain subject to their original maturity date

The accompanying consolidated statements of operations and changes in net assets reflect the results of the operations of facilities sold, closed or held for sale as discontinued operations for all periods presented, including revenues of $301 5 million and $288 1 million for 2012 and 2011, respectively

In August 2012, Dignity Health acquired all of the common stock of USHW Holdings Corporation (dba U S HealthWorks), a multi-state for-profit operator of occupational health and urgent care centers, for $455 0 million in cash and additional contingent consideration Dignity Health will account for the transaction using the acquisition method with the fair value of all assets and liabilities of U S HealthWorks as of the transaction date being recorded The results of operations of U S HealthWorks will be included in Dignity Health's consolidated financial statements from the date of the acquisition Dignity Health is still assessing the initial accounting of certain assets acquired and liabilities assumed and expects to complete this assessment during the first quarter of fiscal 2013 In connection with the acquisition, U S HealthWorks' subsidiaries became indirect subsidiaries of Dignity Health These subsidiaries operate approximately 174 occupational health and urgent care centers in 15 states Dignity Health management anticipates that earnings from U S HealthWorks will be accretive to Dignity Health

4. UNSPONSORED COMMUNITY BENEFIT EXPENSE (UNAUDITED)

Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued, or would need to be provided by another nonprofit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs, and/or (e) involve education or research that improves overall community health

Benefits for the Poor include services provided to persons who are economically poor or are medically indigent and cannot afford to pay for healthcare services because they have inadequate resources and/or are uninsured or underinsured

Benefits for the Broader Community refer to persons in the general communities that Dignity Health serves, beyond and including those in a target population Most services for the broader community are aimed at improving the health and welfare of the overall community Such services include the interest rate differential on below market rate loans that Dignity Health makes to nonprofit community-based organizations that promote the total health of their communities, including the development of affordable housing for low-income persons and families, increasing opportunities for jobs and job training, and expanding access to healthcare for uninsured and underinsured persons As of June 30, 2012 and 2011, Dignity Health's community investment loan portfolio totaled $39 6 million and $38 7 million, respectively, which is included in other assets limited as to use

Traditional Charity Care is free or discounted health services provided to persons who cannot afford to pay and who meet Dignity Health's criteria for financial assistance The comparable cost of traditional charity care was $152 6 million for 2011, which includes discontinued operations

Net Community Benefit, excluding the unpaid cost of Medicare, is the total cost incurred after deducting direct offsetting revenue from government programs, patients, and other sources of payment or reimbursement for services provided to program patients Including discontinued operations, the comparable amount of net community benefit was $947 1 million for 2011, and Net Community Benefit including the unpaid cost of Medicare was $1 4 billion for 2011

The following is a summary of Dignity Health's community benefits for 2012, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with Internal Revenue Service Form 990, Schedule H and the CHA publication, *A Guide for Planning and Reporting Community Benefit* (dollars in thousands)

	Unaudited				
	Persons Served	**Total Benefit Expense**	**Direct Offsetting Revenue**	**Net Community Benefit**	**% of Total Expenses Excluding Bad Debt Expense**
Benefits for the poor					
Traditional charity care	108,530	$ 189,101	$ (721)	$ 188,380	2 0%
Unpaid costs of Medicaid / Medi-Cal	1,060,508	2,260,680	(1,689,189)	571,491	6 0%
Other means-tested programs	280,517	103,364	(37,297)	66,067	0 7%
Community services					
Community health services	525,831	55,530	(2,063)	53,467	0 6%
Health professions education	86	27	-	27	0 0%
Subsidized health services	193,751	32,386	(4,089)	28,297	0 3%
Donations	155,219	33,376	(236)	33,140	0 3%
Community building activities	12,811	2,961	(1,338)	1,623	0 0%
Community benefit operations	3,884	8,911	-	8,911	0 1%
Total community services for the poor	891,582	133,191	(7,726)	125,465	1 3%
Total benefits for the poor	2,341,137	2,686,336	(1,734,933)	951,403	10 0%
Benefits for the broader community					
Community services					
Community health services	585,949	22,546	(5,512)	17,034	0 2%
Health professions education	68,974	78,752	(9,620)	69,132	0 7%
Subsidized health services	9,430	3,182	(972)	2,210	0 0%
Research	26,281	30,097	(48)	30,049	0 3%
Donations	165,149	7,611	(27)	7,584	0 1%
Community building activities	38,641	3,146	(8)	3,138	0 0%
Community benefit operations	87	1,469	(23)	1,446	0 0%
Total benefits for the broader community	894,511	146,803	(16,210)	130,593	1 3%
Total Community Benefits	3,235,648	$ 2,833,139	$ (1,751,143)	$ 1,081,996	11 3%
Unpaid costs of Medicare	1,116,214	2,604,316	(2,084,335)	519,981	5 4%
Total Community Benefits including unpaid costs of Medicare	4,351,862	$ 5,437,455	$ (3,835,478)	$ 1,601,977	16 7%

5. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30, 2012 and 2011 (in thousands)

	2012	2011
Inventories	$ 158,711	$ 159,362
Receivables, other than patient accounts receivable	217,310	168,713
Provider fee receivables	345,018	-
Prepaid expenses	62,544	60,552
Deferred provider fee expense	-	126,363
Deposits	2,592	2,789
Other	29,457	25,157
Total other current assets	$ 815,632	$ 542,936

6. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use, including assets loaned under securities lending program, consist of the following at June 30, 2012 and 2011 (in thousands)

	2012	2011
Cash and cash equivalents	$ 769,674	$ 579,206
U S government securities	553,912	903,488
U S corporate bonds	758,443	636,035
U S equity securities	1,480,663	1,666,690
Foreign government securities	169,541	243,329
Foreign corporate bonds	39,430	7,369
Foreign equity securities	459,875	400,339
Asset-backed securities	16,656	36,938
Structured debt	187,779	105,106
Private equity investments	128,358	102,944
Multi-strategy hedge fund investments	485,498	107,889
Real estate	181,395	162,624
Other	202,462	96,881
Interest in net assets of unconsolidated foundations	222,458	222,943
Total	$ 5,656,144	$ 5,271,781
Assets limited as to use		
Current	$ 1,242,277	$ 828,632
Long-term	3,481,003	3,617,300
Short-term investments	932,864	825,849
Total	$ 5,656,144	$ 5,271,781

The current portion of assets limited as to use includes the amount of assets available to meet current obligations for debt service and claims payments under the self-insured programs for workers' compensation for employees and hospital professional and general liability

Investment income and losses on assets limited as to use, cash equivalents, collateral held under securities lending program, notes receivable, and investments are comprised of the following for 2012 and 2011 (in thousands)

	2012	2011
Interest and dividend income	$ 115,143	$ 116,115
Net realized gains on sales of securities	226,157	180,735
Net unrealized gains (losses) on securities	(239,124)	442,609
Investment related fees and other, net of capitalized investment income	(28,739)	(21,608)
Total investment income, net	$ 73,437	$ 717,851

7. FAIR VALUE MEASUREMENTS

Dignity Health accounts for certain assets and liabilities at fair value or on a basis that approximates fair value A fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market Each fair value measurement is reported in one of the three levels and is determined by the lowest level input that is significant to the fair value measurement in its entirety These levels are

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the measurement date Financial assets and liabilities in Level 1 include U S Treasury securities and listed equities

Level 2 Pricing inputs are based upon 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 asset-backed securities, corporate bonds and loans, municipal bonds, and interest rate swaps

Level 3 Pricing inputs are generally unobservable for the assets or liabilities 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 model-based techniques that include option pricing models, discounted cash flow models, and similar techniques Financial assets in this category include alternative investments

The following represents assets and liabilities measured at fair value on a recurring basis and certain assets accounted for under the equity method as of June 30, 2012 and 2011 (in thousands)

	Fair Value Measurements at June 30, 2012 Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance at June 30, 2012
Assets				
Cash and cash equivalents	$ 769,674	$ -	$ -	$ 769,674
U S government securities	477,067	76,845	-	553,912
U S corporate bonds	61,861	546,359	150,223	758,443
U S equity securities	1,143,398	337,265	-	1,480,663
Foreign government securities	19	169,522	-	169,541
Foreign corporate bonds	5,129	34,301	-	39,430
Foreign equity securities	459,778	97	-	459,875
Asset-backed securities	-	16,656	-	16,656
Structured debt	-	187,779	-	187,779
Private equity investments	-	-	128,358	128,358
Multi-strategy hedge fund investments	-	-	485,498	485,498
Real estate	7,637	-	173,758	181,395
Collateral held under securities lending program	-	335,968	-	335,968
Other fund investments	7,851	-	-	7,851
Total assets	$ 2,932,414	$ 1,704,792	$ 937,837	$ 5,575,043
Liabilities				
Derivative instruments	$ -	$ 228,052	$ -	$ 228,052

	Fair Value Measurements at June 30, 2011 Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance at June 30, 2011
Assets				
Cash and cash equivalents	$ 579,206	$ -	$ -	$ 579,206
U S government securities	392,981	510,507	-	903,488
U S corporate bonds	62,061	573,974	-	636,035
U S equity securities	1,461,940	204,750	-	1,666,690
Foreign government securities	5,896	237,433	-	243,329
Foreign corporate bonds	-	7,369	-	7,369
Foreign equity securities	400,339	-	-	400,339
Asset-backed securities	-	36,938	-	36,938
Structured debt	-	105,106	-	105,106
Private equity investments	-	-	102,944	102,944
Multi-strategy hedge fund investments	-	-	107,889	107,889
Real estate	6,805	-	155,819	162,624
Collateral held under securities lending program	-	290,526	-	290,526
Other fund investments	8,724	-	-	8,724
Total assets	$ 2,917,952	$ 1,966,603	$ 366,652	$ 5,251,207
Liabilities				
Derivative instruments	$ -	$ 110,694	$ -	$ 110,694

Assets and liabilities measured at fair value on a recurring basis and certain assets accounted for under the equity method are reported in short-term investments, assets limited as to use, and other accrued liabilities in the consolidated balance sheet Such amounts do not include certain restricted receivables and interests in unconsolidated foundations recorded in assets limited as to use

Dignity Health's policy is to recognize transfers to or from Levels 1, 2 or 3 within the fair value hierarchy as of the beginning of the period There were no significant transfers to or from Levels 1 or 2 during the periods presented

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs

For marketable securities such as U S and foreign government securities, U S and foreign corporate bonds, U S and foreign equity securities, asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models These inputs to fair value are included in industry-standard valuation techniques such as the income or market approach Dignity Health classifies all such investments as Level 2

For investments such as private equity funds, multi-strategy hedge funds, real estate funds, and other limited partnership investments, fair value is determined using the calculated net asset value ("NAV") provided by the fund The value of underlying investments of private equity funds are estimated based on recent filings, operating results, balance sheet stability, growth, and other business and market sector fundamentals Real estate investments are priced using valuation techniques that include income,

market, and cost approaches Significant inputs include contract and market rents, operating expenses, capitalization rates, discount rates, sales of comparable properties, and market rent growth trends, as well as the use of the value of property plus the cost of building a similar structure of equal utility Hedge funds and other limited partnership investments typically value underlying securities traded on a national securities exchange or reported on a national market at the last reported sales price on the day of the valuation Underlying securities traded in the over-the-counter market and listed securities for which no sale was reported on the valuation date are typically valued at the mean between representative bid and ask quotes obtained Where no fair value is readily available, the fund or investment manager may determine, in good faith, the fair value using models that take into account relevant information considered material Due to the significant unobservable inputs present in these valuations, Dignity Health classifies all such investments as Level 3 Dignity Health's management regularly monitors and evaluates the accounting and valuation methodologies of the investment managers Management also performs, on a regular basis when information is made available, various validations and testing of the NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards Significant increases (decreases) in any unobservable inputs used for Level 3 holdings, in isolation, would result in significantly lower (higher) fair value measurement

The fair value of collateral held under securities lending program classified as Level 2 is determined using the calculated NAV The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above Amounts reported do not include non-cash collateral of $17 3 million and $23 7 million as of June 30, 2012 and 2011, respectively

The fair value of liabilities for derivative instruments such as interest rate swap instruments classified as Level 2 is determined using an industry standard valuation model, which is based on a market approach A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model Each leg is discounted and the difference between the present value of each leg's cash flows equals the market value of the swap

The fair value of liabilities for derivative instruments such as risk participation agreements classified as Level 3 is determined using the market value of the referenced securities in the agreements, which factors in the credit risk of the issuer

The following table presents the change in the balance of financial assets and liabilities using significant unobservable inputs (Level 3) measured on a recurring basis and certain assets accounted for under the equity method in 2012 and 2011 (in thousands)

	2012				
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	$ 102,944	$ 107,889	$ 155,819	$ -	$ 366,652
Total realized gains, net, included in excess of revenues over expenses	1,207	2,316	-	-	3,523
Total unrealized gains, net, included in excess of revenues over expenses	4,016	14,026	10,993	7,610	36,645
Purchases, issuances, sales and settlements					
Purchases	32,606	474,808	6,946	143,280	657,640
Sales	(12,415)	(113,541)	-	(667)	(126,623)
Balance at June 30	$ 128,358	$ 485,498	$ 173,758	$ 150,223	$ 937,837

	2011				
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	$ 83,344	$ 152,272	$ 128,509	$ -	$ 364,125
Total realized gains, net, included in excess of revenues over expenses	976	10,870	-	-	11,846
Total unrealized gains, net, included in excess of revenues over expenses	10,702	1,881	27,310	-	39,893
Purchases, issuances, sales and settlements					
Purchases	18,068	89,563	-	-	107,631
Sales	(10,146)	(146,697)	-	-	(156,843)
Balance at June 30	$ 102,944	$ 107,889	$ 155,819	$ -	$ 366,652

Included within the assets above are investments in certain entities that report fair value using a calculated NAV or its equivalent The following table and explanations identify attributes relating to the nature and risk of such investments as of June 30, 2012 and 2011 (in thousands)

		As of June 30, 2012			
		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Level 2					
Debt securities	(1)	$ 171,717	$ -	Daily, Quarterly	1 - 90 days
Equity securities	(2)	335,879	-	Daily, Monthly	1 - 30 days
Collateral held under securities lending	(3)	335,968	-	Daily	10 days
Total Level 2		$ 843,564	$ -		
Level 3					
Multi-strategy hedge funds	(4)	$ 485,498	$ -	Monthly, Quarterly, Semi-Annually, Annually	5 - 370 days
Private equity	(5)	128,358	136,005	-	-
Real estate	(6)	173,758	-	Quarterly	90 days
Debt securities	(7)	150,223	16,145	Quarterly	90 days
Total Level 3		937,837	152,150		
Total Level 2 and Level 3		$ 1,781,401	$ 152,150		

		As of June 30, 2011			
		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Level 2					
Debt securities	(1)	$ 202,794	$ -	Daily, Semi-Monthly	1 - 5 days
Equity securities	(2)	203,352	-	Daily, Semi-Monthly, Monthly	1 - 30 days
Collateral held under securities lending	(3)	290,526	-	Daily	10 days
Total Level 2		$ 696,672	$ -		
Level 3					
Multi-strategy hedge funds	(4)	$ 107,889	$ -	Quarterly, Semi-Annually, Annually	65 - 370 days
Private equity	(5)	102,944	116,595	-	-
Real estate	(6)	155,819	-	Quarterly	90 days
Total Level 3		366,652	116,595		
Total Level 2 and Level 3		$ 1,063,324	$ 116,595		

(1) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets

(2) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies A majority of the funds attempt to match the returns of specific equity indices

(3) This category includes investments of collateral held under securities lending program Dignity Health participates in a securities lending program administered by its custodian as a means to augment income from its portfolio Securities are loaned to select brokerage firms who in turn post collateral The collateral is placed in commingled funds that invest primarily in cash and cash equivalents, and domestic and foreign debt securities The collateral pool is allocated between two separate pools While Dignity Health can fully withdraw from the program at any time, the redemption conditions differ For the "duration pool", which represents approximately 3 7% of the value of this category at June 30, 2012, Dignity Health can fully withdraw from the program, but in return can only receive a proportional distribution of the investments held by the collateral lending fund For the "liquidity pool", which represents approximately 96 3% of the value of this category at June 30, 2012, no such redemption restrictions are applicable The cash flow maturity schedule provided by the custodian anticipates that the cash collateral in the duration pool will fully mature and become available through December 2012, with a de minimis amount remaining in the duration pool thereafter

(4) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies The primary objective for these funds is to seek attractive long-term risk-adjusted absolute returns Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted Such restrictions were not applicable at June 30, 2012 The following table reflects the various redemption frequencies, notice periods required, and any applicable lock-up periods or gates to redemption as of June 30, 2012

Percentage of the Value of Category (4)		Redemption Frequency	Redemption Notice Period	Redemption Locked Up Until (if applicable)	Redemption Gate % of Account (if applicable)
Total	Subtotal				
27 7%	9 5%	Annually	45 - 90 days	-	-
	9 1%	Annually	45 - 75 days	3 31 2013 to 12 31 2014	-
	9 1%	Annually	60 - 65 days		up to 33 3% - 50 0%
5 3%	5 3%	Semi-Annually	75 - 90 days	-	-
43 4%	19 9%	Quarterly	30 - 370 days	-	-
	8 8%	Quarterly	90 days	7 1 2012 to 7 1 2013	-
	14 7%	Quarterly	45 - 90 days	-	up to 25 0% - 33 3%
23 6%	13 6%	Monthly	5 - 60 days	-	-
	5 0%	Monthly	120 days	until 8 31 2012	-
	5 0%	Monthly	45 days	-	up to 16 7%

(5) This category includes several private equity funds that specialize in providing capital to a variety of investment groups, including but not limited to venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations There are no provisions for redemptions during the life of these funds Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2012, to be over the next 2-12 years

(6) This category includes an open-ended real estate fund that invests primarily in institutional quality commercial and residential real estate assets within the United States

(7) This category includes a commingled fund that invests primarily in a fixed income fund that provides capital in a variety of mezzanine debt, distressed debt, and other special debt securities situations

The investments included above are not expected to be sold at amounts that are different from NAV

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following at June 30, 2012 and 2011 (in thousands)

	2012	2011
Land	$ 220,006	$ 223,873
Land improvements	110,274	114,379
Buildings	4,474,792	4,371,353
Equipment	3,394,346	3,265,014
Construction in progress	711,418	619,223
Total	8,910,836	8,593,842
Less Accumulated depreciation	(4,694,266)	(4,491,291)
Property and equipment, net	$ 4,216,570	$ 4,102,551

9. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following at June 30, 2012 and 2011 (in thousands)

	2012	2011
Notes receivable, primarily secured	$ 35,353	$ 42,371
Deferred financing costs, net	28,804	27,924
Goodwill	123,013	95,549
Other	52,157	30,319
Total other long-term assets, net	$ 239,327	$ 196,163

10. OWNERSHIP INTERESTS IN HEALTH-RELATED ACTIVITIES

Dignity Health's consolidated investments in health-related activities recorded net changes in noncontrolling interests related to revenues, expenses, gains, and losses of $21 2 million and $24 1 million in purchased services and other in the consolidated statements of operations and changes in net assets for 2012 and 2011, respectively

Additional goodwill of $27 5 million and $13 3 million was recorded in 2012 and 2011, respectively, related to the acquisition of interests in health-related organizations No goodwill impairment was recorded during 2012 and 2011

Dignity Health has significant ownership interests in three health-related activities, as further described below, that are accounted for under the equity method and reflected in the accompanying balance sheet in ownership interests in health-related activities

- Dignity Health and Scripps Health ("Scripps") entered into an affiliation agreement in August 1995 to enhance their mutual ability to serve the San Diego community Through the affiliation, Dignity Health transferred the sole voting membership of one of its subordinate corporations, Mercy Healthcare San Diego ("MHSD") to Scripps, along with the responsibility for its operation and governance MHSD's principal activity is the operation of a hospital and a network of clinics

  Pursuant to the affiliation agreement, among other things, Dignity Health obtained the right to receive a 20% interest in the annual change in unrestricted net assets of Scripps and the right to 20% of the net proceeds, with certain restrictions, upon the liquidation of Scripps Twenty percent of the members of the Scripps Board of Directors are elected from nominees proposed by Dignity Health

- Dignity Health and Carondelet Health Network (now a member of Ascension Health) entered into an affiliation agreement in June 1985 by which each affiliate made a 50% investment in Southwest Catholic Healthcare Network, dba Mercy Care Plan Mercy Care Plan operates a health plan for Arizona's Medicaid program, Arizona Health Care Cost Containment System, with approximately 342,100 enrollees Mercy Care Plan classifies its investment portfolio as available-for-sale

- Dignity Health transferred and contributed to Phoenix Children's Hospital, Inc , ("PCH"), an Arizona nonprofit corporation, substantially all of the pediatric program services and related assets of its facility in Phoenix, Arizona in June 2011 Pursuant to the transaction, Dignity Health obtained 20% of the outstanding membership interests of PCH Dignity Health recorded a gain on the transaction of $47 3 million in 2011, which is recorded in other operating revenue in the accompanying consolidated statements of operations and changes in net assets

The following table summarizes the financial position and results of operations for the health-related organizations discussed above which are accounted for under the equity method, as of and for the 12 months ended June 30, 2012 and 2011 (in thousands)

	2012			2011		
	Scripps Health	Phoenix Children's Hospital	Mercy Care Plan	Scripps Health	Phoenix Children's Hospital	Mercy Care Plan
Total assets	$ 3,399,377	$ 973,856	$ 387,135	$ 2,914,536	$ 946,694	$ 434,750
Total liabilities	1,324,728	746,736	206,551	1,035,234	641,960	246,637
Total net assets	2,074,649	227,120	180,584	1,879,302	304,734	188,113
Total revenues, net	2,445,881	580,083	1,741,353	2,596,459	434,472	1,930,479
Excess of revenues over expenses	184,025	(81,770)	28,339	377,266	21,685	57,688
Investment at June 30 recorded in ownership interests in health-related activities	375,253	31,960	92,292	334,244	48,180	94,057
Income recorded in revenue from health-related activities, net	$ 41,009	$ (16,220)	$ 14,169	$ 79,739	$ -	$ 29,134

11. OTHER ACCRUED LIABILITIES

Other accrued liabilities, net, consist of the following at June 30, 2012 and 2011 (in thousands)

	2012	2011
Accrued interest expense	$ 75,610	$ 82,690
Deferred provider fee revenue	-	185,280
Provider fee and CHFT grant payables	211,489	-
Derivative liabilities	228,052	110,694
Other	176,814	199,315
Total other accrued liabilities	$ 691,965	$ 577,979

12. RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

Dignity Health maintains defined benefit pension plans that cover substantially all eligible employees Benefits are generally based on age, years of service and employee compensation Dignity Health also offers postretirement healthcare benefits to most of its employees For the majority of covered employees, the benefits are determined based on age, years of service and compensation up to specified amounts

The plans are actuarially evaluated and involve various assumptions These assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and liability measurement Other assumptions involve demographic factors such as retirement age, mortality, turnover and the rate of compensation increases Dignity Health evaluates assumptions annually and modifies them as appropriate Pension costs and postretirement costs are allocated over the service period of the employees in the plans The principle underlying this accounting is that employees render service ratably over the period and, therefore, the effects in the consolidated statements of operations and changes in net assets follow the same pattern

Contributions to the defined benefit pension plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants Management believes these plans qualify under a Church Plan Exemption, and as such are not subject to Employee Retirement Income Security Act ("ERISA") funding requirements Dignity Health's funding policy requires that, at a minimum, contributions equal the unfunded normal cost plus amortization of any unfunded actuarial accrued liability Contributions to these plans are anticipated at $305 5 million in 2013

During 2011, Dignity Health amended the pension plans resulting in a lower benefit obligation as of June 30, 2011 and 2012, and also lower expense in future years The most significant provisions include freezing certain ongoing final average pay formulas and replacing them with cash balance formulas, freezing certain past service benefits for employees already in cash balance formulas, modifying the cash balance interest crediting rate, and updating the actuarial equivalence definitions and methodology

The accumulated benefit obligation exceeds plan assets for each of the defined benefit plans and postretirement benefit plans for the years ended June 30, 2012 and 2011 The following summarizes the benefit obligations and funded status for the defined benefit pension and postretirement benefit plans for 2012 and 2011 (in thousands)

	2012		2011	
	Retirement Plans	Other Benefit Plans	Retirement Plans	Other Benefit Plans
Change in benefit obligation				
Benefit obligation at beginning of year	$ 3,034,443	$ 115,694	$ 2,757,644	$ 102,270
Service cost	198,135	6,287	183,712	6,031
Interest cost	176,514	6,412	163,438	5,497
Plan changes/amendments	2,366	-	(169,648)	1,190
Actuarial loss	415,947	-	191,822	5,870
Acquisitions and other	-	-	(5,856)	-
Administrative expenses	(20,284)	-	(14,930)	-
Benefits paid	(83,170)	(5,842)	(71,739)	(5,164)
Benefit obligation at end of year	$ 3,723,951	$ 122,551	$ 3,034,443	$ 115,694
Accumulated benefit obligation	$ 3,354,957	$ 122,551	$ 2,644,136	$ 115,694
Change in plan assets				
Fair value of plan assets at beginning of year	$ 2,276,324	$ -	$ 1,677,799	$ -
Actual return on plan assets	(10,887)	-	419,022	-
Employer contributions	278,153	5,842	270,228	5,164
Benefits paid	(83,170)	(5,842)	(71,739)	(5,164)
Acquisitions and other	-	-	(4,056)	-
Administrative expenses	(20,284)	-	(14,930)	-
Fair value of plan assets at end of year, net	$ 2,440,136	$ -	$ 2,276,324	$ -
Funded status	$ (1,283,815)	$ (122,551)	$ (758,119)	$ (115,694)

The following table summarizes the amounts recognized in unrestricted net assets as of June 30, 2012 and 2011 (in thousands)

	2012		2011	
	Retirement Plans	Other Benefit Plans	Retirement Plans	Other Benefit Plans
Net actuarial loss	$ 1,423,761	$ 6,329	$ 853,992	$ 6,456
Prior service cost (credit)	(159,126)	39,239	(178,228)	45,272
Amounts in unrestricted net assets	$ 1,264,635	$ 45,568	$ 675,764	$ 51,728

The estimated net loss and prior service credit for the pension plans and postretirement plans that will be amortized from unrestricted net assets into net periodic benefit cost in 2013 are $92 2 million and $10 5 million, respectively

Current pension and other postretirement liabilities reflect amounts expected to be funded in the following year The following table summarizes the amounts recognized in the consolidated balance sheets as of June 30, 2012 and 2011 (in thousands)

	2012		2011	
	Retirement Plans	Other Benefit Plans	Retirement Plans	Other Benefit Plans
Current liabilities	$ (306,330)	$ (8,563)	$ (267,374)	$ (7,718)
Long-term liabilities	(977,485)	(113,988)	(490,745)	(107,976)
Accrued benefit cost	$ (1,283,815)	$ (122,551)	$ (758,119)	$ (115,694)

The following table summarizes the weighted-average assumptions used to determine benefit obligations as of June 30, 2012 and 2011 (dollars in thousands)

	2012		2011	
	Retirement Plans	Other Benefit Plans	Retirement Plans	Other Benefit Plans
To determine benefit obligations				
Discount rate	5 00%	5 70%	5 90%	5 70%
Rate of compensation increase	4 13%	5 25%	5 25%	5 25%
To determine net periodic benefit cost				
Discount rate	5 90%	5 70%	6 00%	5 50%
Expected return on plan assets	8 00%	N/A	7 50%	N/A
Rate of compensation increase	5 25%	5 25%	5 25%	5 25%

The following table summarizes the components of net periodic cost recognized in the consolidated statements of operations and changes in net assets for 2012 and 2011 (in thousands)

	2012		2011	
	Retirement Plans	Other Benefit Plans	Retirement Plans	Other Benefit Plans
Service cost	$ 198.135	$ 6.287	$ 183.712	$ 6.031
Interest cost	176.514	6.412	163.438	5.497
Expected return on plan assets	(188.823)	-	(133.205)	-
Net prior service cost (credit) amortization	(16.736)	6.033	(2.319)	5.935
Net loss (gain) amortization	47.688	127	61.965	210
Net periodic benefit cost	$ 216.778	$ 18.859	$ 273.591	$ 17.673
Net periodic benefit cost, excluding discontinued operations	$ 208.091	$ 18.239	$ 262.549	$ 17.051

The following represents the fair value of plan assets, net, measured on a recurring basis as of June 30, 2012 and 2011 (in thousands) See Note 7 for the definition of Levels 1, 2 and 3 in the fair value hierarchy

	Fair Value Measurements at June 30, 2012 Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance at June 30, 2012
Assets				
Cash and cash equivalents	$ 203,162	$ -	$ -	$ 203,162
U S government securities	60,435	3,862	-	64,297
U S corporate bonds	-	136,949	47,605	184,554
U S equity securities	772,707	251,842	-	1,024,549
Foreign government securities	-	47,520	-	47,520
Foreign corporate bonds	-	5,248	-	5,248
Foreign equity securities	404,351	98	-	404,449
Asset-backed securities	-	1,942	-	1,942
Structured debt	-	13,322	-	13,322
Private equity investments	-	-	124,015	124,015
Multi-strategy hedge fund investments	-	-	309,961	309,961
Real estate	6,307	-	47,068	53,375
Collateral held under securities lending program	-	161,442	-	161,442
Other, including due from brokers for unsettled investment trades and prepaid fund subscriptions	-	12,279	-	12,279
Total assets	$ 1,446,962	$ 634,504	$ 528,649	$ 2,610,115
Liabilities				
Payable under securities lending program	$ -	$ 161,442	$ -	$ 161,442
Other, including due to brokers for unsettled investment trades	-	8,537	-	8,537
Total liabilities	$ -	$ 169,979	$ -	$ 169,979
Fair value of plan assets, net	$ 1,446,962	$ 464,525	$ 528,649	$ 2,440,136

	Fair Value Measurements at June 30, 2011 Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance at June 30, 2011
Assets				
Cash and cash equivalents	$ 249.136	$ -	$ -	$ 249.136
U S government securities	40.585	97.683	-	138.268
U S corporate bonds	-	94.554	-	94.554
U S equity securities	868.368	122.508	-	990.876
Foreign government securities	-	89.000	-	89.000
Foreign corporate bonds	-	3.702	-	3.702
Foreign equity securities	320.516	-	-	320.516
Asset-backed securities	-	5.808	-	5.808
Structured debt	-	18.386	-	18.386
Private equity investments	-	-	96.321	96.321
Multi-strategy hedge fund investments	-	-	84.782	84.782
Real estate	6.919	-	101.539	108.458
Collateral held under securities lending program	-	204.466	-	204.466
Other, including due from brokers for unsettled investment trades and prepaid fund subscriptions	-	151.705	112.000	263.705
Total assets	$ 1.485.524	$ 787.812	$ 394.642	$ 2.667.978
Liabilities				
Payable under securities lending program	$ -	$ 204.466	$ -	$ 204.466
Other, including due to brokers for unsettled investment trades	-	187.188	-	187.188
Total liabilities	$ -	$ 391.654	$ -	$ 391.654
Fair value of plan assets, net	$ 1.485.524	$ 396.158	$ 394.642	$ 2.276.324

For information about the valuation techniques and inputs used to measure the fair value of plan assets, see discussion regarding fair value measurements in Note 7

The following table presents the change in the plan assets using significant unobservable inputs (Level 3) measured on a recurring basis in 2012 and 2011 (in thousands)

	2012				
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	$ 96,321	$ 84,782	$ 101,539	$ 112,000	$ 394,642
Total realized gains, net	349	1,565	29,947	-	31,861
Total unrealized gains (losses), net	9,818	9,432	(22,108)	2,679	(179)
Purchases, issuances, sales and settlements					
Purchases	28,703	300,778	-	45,315	374,796
Sales	(11,176)	(86,596)	(62,310)	(389)	(160,471)
Transfers out of level 3	-	-	-	(112,000)	(112,000)
Balance at June 30	$ 124,015	$ 309,961	$ 47,068	$ 47,605	$ 528,649

	2011				
	Private Equity Investments	Multi-Strategy Hedge Fund Investments	Real Estate	Debt Securities	Total
Balance at beginning of period	$ 69,193	$ 133,452	$ 85,992	$ -	$ 288,637
Total realized gains (losses), net	221	8,204	(499)	-	7,926
Total unrealized gains, net	13,813	2,677	18,770	-	35,260
Purchases, issuances, sales and settlements					
Purchases	17,175	75,362	-	112,000	204,537
Sales	(4,081)	(134,913)	(2,724)	-	(141,718)
Balance at June 30	$ 96,321	$ 84,782	$ 101,539	$ 112,000	$ 394,642

In 2012, transfers out of Level 3 within the fair value of the retirement plan assets represent amounts related to prepaid subscriptions As part of Dignity Health's on-going assessment of the inputs and valuation techniques for fair value measurement, it was deemed that the inputs and valuation techniques related to these amounts are to be classified as Level 2 as significant inputs to valuation are considered observable inputs

The following table summarizes the weighted-average asset allocations by asset category for the pension plans for 2012 and 2011

	Plan Assets at June 30	
	2012	2011
Cash and cash equivalents	8%	11%
U S government securities	3%	6%
U S corporate bonds	7%	4%
U S equity securities	42%	44%
Foreign government securities	2%	4%
Foreign equity securities	17%	14%
Structured debt	1%	1%
Private equity investments	5%	4%
Multi-strategy hedge fund investments	13%	4%
Real estate	2%	5%
Other, net	0%	3%
Total	100%	100%

The asset allocation policy for the pension plans for 2012 and 2011 is as follows domestic fixed income, 20% (which may include U S government securities, U S corporate bonds, asset-backed securities and/or structured debt), domestic equity 30% (including U S equity securities), international equity, 27% (including foreign equity securities), private equity, 10% (which may include private equity investments and/or structured debt), hedge funds, 11% (which may include hedge fund investments, asset-backed securities and/or structured debt), and real estate, 2%

Dignity Health's investment strategy for the assets of the pension plans is designed to achieve returns to meet obligations and grow the assets of the portfolio longer term, consistent with a prudent level of risk The strategy balances the liquidity needs of the retirement plans with the long-term return goals necessary to satisfy future obligations The target asset allocation is diversified across traditional and non-traditional asset classes Diversification is also achieved through participation in U S and non-U S markets, market capitalization, and investment manager style and philosophy The complimentary investment styles and approaches used by both traditional and alternative investment managers are aimed at reducing volatility while capturing the equity premium from the capital markets over the long term Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition Consistent with Dignity Health's fiduciary responsibilities, the fixed income allocation generally provides for security of principal to meet near term expenses and obligations Periodic reviews of the market values and corresponding asset allocation percentages are performed to determine whether a rebalancing of the portfolio is necessary

Dignity Health's pension plan portfolio return assumptions of 8 0% and 7 5% for 2012 and 2011, respectively, were based on the long-term weighted average return of comparative market indices for the asset classes represented in the portfolio and discounted for pension plan expenses, and expectations about future returns

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands)

	Retirement Benefits	Other Benefits
2013	$ 99,004	$ 8,563
2014	114,206	9,057
2015	132,632	9,415
2016	151,753	10,864
2017	173,280	11,639
2018 - 2022	1,224,007	63,446
Total	$ 1,894,882	$ 112,984

Dignity Health maintains defined contribution retirement plans for most employees Employer contributions to those plans of $45 1 million and $41 0 million for 2012 and 2011, respectively, are primarily based on a percentage of a participant's contribution Total retirement and postretirement expenses under all plans, including the defined contribution plans, was $282 2 million and $328 5 million for 2012 and 2011, respectively, and are included in salaries and benefits in the consolidated statements of operations and changes in net assets

13. DEBT

Debt consists of the following at June 30, 2012 and 2011 (in thousands)

	2012	2011
Under Master Trust Indenture		
Fixed rate debt		
Fixed rate revenue bonds payable in installments through 2042, interest at 3.0% to 6.25%	$ 2,526,364	$ 2,176,089
Put bonds payable in installments through 2039, interest at 5.0%	196,738	456,996
Senior secured notes payable from 2013 through 2018, interest at 5.7% to 6.5%	374,309	374,192
Total fixed rate debt	3,097,411	3,007,277
Variable rate debt		
Variable rate demand bonds payable in installments through 2047, interest set at prevailing market rates (0.1% to 0.3% at June 30, 2012)	789,500	640,700
Auction rate certificates payable in installments through 2042, interest set at prevailing market rates (0.3% to 0.4% at June 30, 2012)	323,900	324,400
Notes payable to banks under credit agreement payable in 2014, interest set at prevailing market rates (1.3% at June 30, 2012)	164,034	133,509
Total variable rate debt	1,277,434	1,098,609
Total debt under Master Trust Indenture	4,374,845	4,105,886
Other		
Various notes payable and other debt payable in installments through 2042, interest ranging up to 8.0%	74,386	37,526
Capitalized lease obligations	72,883	94,786
Total debt	4,522,114	4,238,198
Less current portion of long-term debt	(295,920)	(107,381)
Less demand bonds subject to short-term liquidity arrangements, excluding current maturities	(785,400)	(574,000)
Total long-term debt	$ 3,440,794	$ 3,556,817

Scheduled principal debt payments, net of discounts and considering obligations subject to short-term liquidity arrangements as due according to their long-term amortization schedule, for the next five years and thereafter are as follows (in thousands)

	Long-Term Debt Other Than Demand Bonds	Demand Bonds Subject to Short-Term Liquidity Arrangements	Total Long-Term Debt
2013	$ 291,820	$ 4,100	$ 295,920
2014	283,328	2,600	285,928
2015	340,902	6,400	347,302
2016	97,378	7,000	104,378
2017	98,700	7,600	106,300
Thereafter	2,620,486	761,800	3,382,286
Total	$ 3,732,614	$ 789,500	$ 4,522,114

Master Trust Indenture – Dignity Health issues debt under a Master Trust Indenture of the Obligated Group which requires, among other things, gross revenue pledged as collateral, certain limitations on additional indebtedness, liens on property, and disposition or transfers of assets, and the maintenance of certain cash balances and other financial ratios Dignity Health is in compliance with these requirements at June 30, 2012

Debt Arrangements - **Fixed Rate Revenue Bonds** – Dignity Health has fixed rate revenue bonds outstanding that may be redeemed, in whole or in part, prior to the stated maturities without a premium

Put Bonds - Dignity Health has put bonds outstanding with interest rates that were fixed at issuance for 5 and 10-year periods, with bond maturities that extend over longer terms The bonds are not subject to optional redemption during the fixed rate period but are subject to a mandatory purchase on the respective put redemption date Prior to a put redemption date, Dignity Health will appoint a remarketing agent to convert the bonds to another fixed rate put period or to a short-term interest rate mode, or Dignity Health will repay the par amount of the mandatory purchase Put bonds maturing in July 2012 were legally defeased in June 2012 from the proceeds of the June 2012 debt issuance The remaining put bonds have a mandatory purchase date of July 2014 in the amount of $195 0 million

Senior Secured Notes Payable – Dignity Health has taxable, senior secured notes outstanding at a fixed interest rate that are due at their stated maturity from 2013 to 2018 Early redemption of the debt, in whole or in part, may require a premium depending on market rates

Variable Rate Demand Bonds –Variable rate demand bonds ("VRDBs") are remarketed weekly and the VRDBs may be put at the option of the holders Dignity Health maintains bank letters of credit to support $789 5 million of VRDBs The letters of credit serve as credit enhancement to ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket

The bank letters of credit supporting $317 0 million of VRDBs were renewed in August 2010 The renewed letters of credit are set to expire in August 2013 The bank letter of credit supporting $65 5 million was renewed in July 2010 and is set to expire in July 2013 In January 2010, Dignity Health negotiated new bank letters of credit, supporting $91 0 million of VRDBs, which expire in June 2014 Dignity Health also has bank letters of credit supporting $166 0 million of VRDBs that mature in November 2012 and $150 0 million that mature in November 2016 In the event that the remarketing agent is unable to remarket the VRDBs, the bond trustee will make a draw on the bank letters of credit and the tendered VRDBs will become bank bonds

Certain bank bonds are subject to various repayment provisions ranging from one to four years with further accelerations upon successful bond remarketing, early redemptions, bond cancellations, conversion to a different interest rate mode, defaults, substitution of letter of credit providers or under certain other conditions

VRDBs that are not remarketed and are subsequently funded by amounts drawn under the bank letters of credit and held as bank bonds are reported as extinguishments of debt and new borrowings, respectively, in the consolidated statements of cash flows Repayments of these draws from proceeds of remarketed VRDBs are reported as extinguishments of debt and new borrowings, respectively, in the consolidated statements of cash flows

Auction Rate Certificates – Dignity Health has $240 0 million of auction rate certificates ("ARCs") that are remarketed weekly and $83 9 million of ARCs that are remarketed every 35 days The certificates are insured by various bond insurers Holders of ARCs are required to hold the certificates until the remarketing agent can find a new buyer for any tendered certificates

Notes Payable to Bank Under Credit Agreement – Dignity Health maintained a $350 0 million syndicated line of credit facility during 2010 for working capital, letters of credit, capital expenditures and other general corporate purposes In August 2010, the facility was renegotiated at an increased amount of $480 0 million

During 2012 and 2011, the maximum amount outstanding under the syndicated credit facility was $459 9 million and $133 5 million, respectively There were no letters of credit issued under this facility as of June 30, 2012 and 2011

Dignity Health has a $20 0 million single-bank line of credit facility for letters of credit Letters of credit issued under this facility were $17 0 million and $12 9 million as of June 30, 2012 and 2011, respectively, but no amounts have been drawn This facility was similarly renewed in August 2010

Both credit facilities expire in August 2013

2012 Financing Activity – In July 2011, Dignity Health issued $106 5 million of tax-exempt fixed rate bonds with a premium of $8 5 million to repay $115 0 million of previously outstanding bonds Dignity Health also repaid $30 5 million of outstanding bonds and the $45 9 million put bond with a draw on its syndicated line of credit

In November 2011, Dignity Health issued $478 3 million of tax-exempt fixed rate bonds to refund $249 3 million of previously outstanding bonds and accrued interest and $40 9 million of draws on the syndicated line of credit, and to provide funds for capital projects The bonds were sold at a net premium, bear interest at 3 0% to 5 25%, and mature in installments through March 2041 The proceeds used to refund previously outstanding bonds were placed in an irrevocable trust and the bonds were legally defeased

In November 2011, Dignity Health issued $150 0 million of variable rate demand bonds supported by new letters of credit from a single bank, which expire in November 2016 The bond proceeds will be used for capital projects

In June 2012, Dignity Health issued $215 0 million of tax-exempt fixed rate bonds which were delivered in connection with a tax-exempt private placement negotiated in November 2011 with a forward delivery date of June 2012 The bonds were used to refund $210 5 million of put bonds and accrued interest due in July 2012 The bonds were sold at par, bear interest at 6 125% to 6 250%, are callable at par after one year, and mature in installments through March 2029 The proceeds used to refund previously outstanding bonds were placed in an irrevocable trust and the bonds were legally defeased

No material gain or loss on early extinguishment of debt was recorded related to debt transactions in 2012

In August 2012, Dignity Health drew $310 0 million on its syndicated line of credit facility to fund a portion of the acquisition of U S HealthWorks See Note 3

2011 Financing Activity– During 2011, Dignity Health renewed several letters of credit and the lines of credit as described above (see "Variable Rate Demand Bonds" and "Notes Payable to Bank Under Credit Agreement")

Fair Value of Debt - The fair value of Dignity Health's debt is estimated based on the quoted market prices and/or other market data for the same or similar issues and transactions in active markets or on the current rates offered to Dignity Health for debt of the same remaining maturities, discounted cash flow models and other pricing models These inputs to fair value are included in industry-standard valuation techniques Based on the inputs and valuation techniques, the fair value of long-term debt is classified as Level 2 within the fair value hierarchy The carrying value of Dignity Health's debt is reported within the current portion of long-term debt, demand bonds subject to short-term liquidity arrangements and long-term debt, net of current portion, on the statement of financial position The estimated fair value of Dignity Health's long-term debt instruments as of June 30, 2012, is as follows (in thousands)

	Carrying Value	Fair Value
Debt issued under Master Trust Indenture		
Fixed rate revenue bonds	$ 2,526,364	$ 2,731,041
Put bonds	196,738	209,092
Senior secured notes payable	374,309	426,608
Variable rate demand bonds	789,500	789,500
Auction rate certificates	323,900	323,900
Notes payable to bank under credit agreement	164,034	164,034
Total debt under Master Trust Indenture	4,374,845	4,644,175
Other	147,269	147,269
Total debt	$ 4,522,114	$ 4,791,444

The fair value amounts do not represent the amount Dignity Health would be required to expend to retire the indebtedness

14. DERIVATIVE INSTRUMENTS

Dignity Health's derivative instruments include 16 floating-to-fixed interest rate swaps as of June 30, 2012 and 2011, respectively Dignity Health uses floating-to-fixed interest rate swaps to manage interest rate risk associated with outstanding variable rate debt Under these swaps, Dignity Health receives a percentage of LIBOR ranging from 57 00% to 58 96% plus a spread ranging from 0 13% to 0 32% and pays a fixed rate Dignity Health's derivative instruments also include four fixed-to-floating risk participation agreements as of June 30, 2012 Dignity Health uses fixed-to-floating risk participation agreements to reduce interest expense associated with fixed rate debt Under these risk participation agreements, Dignity Health receives a fixed rate and pays a variable rate percentage of SIFMA plus a spread

In August 2011, Dignity Health novated swaps with a notional amount of $343 1 million to a new counterparty One of the swaps with a notional amount of $80 0 million was insured by Assured Guaranty (formerly FSA), the insurance was removed at the request of Dignity Health and the counterparty upon the novation Swaps with a notional amount of $263 1 million were uninsured and the counterparty's right to terminate the swaps at each five-year anniversary was removed on these swaps with the novation The swaps, as well as the one with the $80 0 million notional amount, retain certain early termination triggers caused by event of default or termination as described below

In December 2010, Dignity Health terminated four floating-to-fixed interest rate swaps prior to their scheduled maturities in the aggregate notional amount of $201 3 million The termination payment included the market value of the swaps of negative $12 0 million which was recorded as a swap cash settlement in interest expense, net Since swaps are recorded at market value, no gain or loss was recognized on this transaction

The following table shows the outstanding notional amount of derivative instruments measured at fair value as reported in other accrued liabilities in the consolidated balance sheet as of June 30, 2012 and 2011 (in thousands)

	Maturity Date of Derivatives	Interest Rate	Notional Amount Outstanding	Fair Value
			June 30, 2012	
Derivatives not designated as hedges				
Interest rate swaps	2026 - 2042	3.2% - 3.4%	$ 940,600	$ (228,052)
Risk participation agreements	2017, with extension options	SIFMA plus spread	$ 215,000	$ -
			June 30, 2011	
Derivatives not designated as hedges				
Interest rate swaps	2026 - 2042	3.2% - 3.4%	$ 944,525	$ (110,694)

Changes in fair value of derivative instruments have been recorded for 2012 and 2011 as follows (in thousands)

	2012	2011
Loss reclassified from unrestricted net assets into interest expense, net, related to derivatives in cash flow hedging relationships		
Interest rate swaps - amortization	$ (2,683)	$ (9,055)
Gain (loss) recognized in interest expense, net		
Changes in fair value of non-hedged derivatives - interest rate swaps	(117,358)	50,038
Amortization of amounts in unrestricted net assets - interest rate swaps	(2,683)	(9,055)
Total	$ (120,041)	$ 40,983

Of the amounts classified in unrestricted net assets as of June 30, 2012 and 2011, Dignity Health anticipates reclassifying approximately $2.7 million of additional non-cash losses from unrestricted net assets into interest expense, net, in the next twelve months. Amounts in unrestricted net assets will be amortized into earnings as the interest payments being economically hedged are made.

Of the $940.6 million and $944.5 million notional amount of interest rate swaps held by Dignity Health at June 30, 2012 and 2011, respectively, $160.0 million and $240.0 million are insured and have a negative fair value of $47.2 million and $30.6 at June 30, 2012 and 2011, respectively. In the event the insurer, Assured Guaranty, is downgraded below A2/A or A3/A- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps if Dignity Health does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade. If the insurer is downgraded below the thresholds noted above and Dignity Health is downgraded below Baa3/BBB- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps.

Dignity Health has $780.6 million and $704.5 million of interest rate swaps that are not insured at June 30, 2012 and 2011, respectively. While Dignity Health has the right to terminate the swaps prior to maturity for

any reason, certain counterparties have the right to terminate swaps in the outstanding notional amount of $437 5 million at each five-year anniversary date commencing in May 2013 The termination value would be the fair market value or the replacement cost of the swaps, depending on the circumstances These interest rate swaps have a negative fair value of $104 4 million and $50 1 million at June 30, 2012 and 2011, respectively The remaining uninsured interest rate swaps in the notional amount of $343 1 million and $267 1 million, respectively, have a negative fair value of $76 5 million and $30 0 million at June 30, 2012 and 2011, respectively The fair value of the uninsured risk participation agreements in the notional amount of $215 0 million have a fair value of zero at June 30, 2012 All of the uninsured swaps and risk participation agreements have certain early termination triggers caused by an event of default or a termination event The events of default include failure to make payments when due, failure to give notice of a termination event, failure to comply with or perform obligations under the agreements, bankruptcy or insolvency, and defaults under other agreements (cross-default provision) The termination events include credit ratings dropping below Baa1/BBB+ (Moody's/Standard and Poor's) by either party and Dignity Health's cash on hand dropping below 85 days

Dignity Health, under the terms of its Master Trust Indenture, is prohibited from posting collateral on derivative instruments

15. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Restricted net assets as of June 30, 2012 and 2011, consist of donor-restricted contributions and grants, which are to be used as follows (in thousands)

	2012	2011
Equipment and expansion	$ 128,613	$ 146,704
Research and education	47,408	39,155
Charity and other	132,424	140,644
Total temporarily restricted net assets	$ 308,445	$ 326,503
Permanently restricted net assets	104,873	107,947
Total restricted net assets	$ 413,318	$ 434,450

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

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets	$ -	$ 26,021	$ 104,873	$ 130,894
Board-designated endowment net assets	15,698	-	-	15,698
Total endowment net assets	$ 15,698	$ 26,021	$ 104,873	$ 146,592

	June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets	$ -	$ 22,235	$ 107,947	$ 130,182
Board-designated endowment net assets	17,856	-	-	17,856
Total endowment net assets	$ 17,856	$ 22,235	$ 107,947	$ 148,038

Changes in endowment net assets during 2012 and 2011 are as follows (in thousands)

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	$ 17,856	$ 22,235	$ 107,947	$ 148,038
Investment returns	203	1,549	54	1,806
Unrealized gains	(613)	(2,104)	(15)	(2,732)
Contributions	-	4,975	131	5,106
Change in interest in unconsolidated foundations	-	54	52	106
Appropriation of endowment assets for expenditure	(58)	(918)	-	(976)
Transfers to remove or add to board-designated endowment funds	(1,656)	(248)	(165)	(2,069)
Other	(34)	478	(3,131)	(2,687)
Endowment net assets, end of period	$ 15,698	$ 26,021	$ 104,873	$ 146,592

	June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	$ 11,781	$ 14,833	$ 99,073	$ 125,687
Investment returns	418	2,079	56	2,553
Unrealized gains	3,706	3,444	7	7,157
Contributions	-	2	2,292	2,294
Change in interest in unconsolidated foundations	-	3,596	5,961	9,557
Appropriation of endowment assets for expenditure	(362)	(672)	-	(1,034)
Transfers to remove or add to board-designated endowment funds	1,474	-	672	2,146
Other	839	(1,047)	(114)	(322)
Endowment net assets, end of period	$ 17,856	$ 22,235	$ 107,947	$ 148,038

Included in donor-restricted assets limited as to use are unconditional promises to give which are recorded using discount rates ranging from 3 0 % to 6 0% and are due as follows as of June 30, 2012 and 2011 (in thousands)

	2012	2011
Less than one year	$ 6,848	$ 4,607
One to five years	12,845	14,962
More than five years	403	818
Less allowance for uncollectible contributions receivable	(1,395)	(1,250)
Total contributions receivable, net	$ 18,701	$ 19,137

16. SPECIAL CHARGES

Special charges consist of the following for the year ended June 30, 2012 (in thousands)

Software development costs abandoned	$ 22,019
Restructuring costs for patient financial services	6,343
Restructuring costs for name and governance changes	7,511
Total special charges	$ 35,873

Abandoned software development costs relate to the write-off of certain costs in connection with a change in strategic direction and vendor for clinical systems

Restructuring costs for patient financial services consisting of severance and lease termination costs have been recorded in connection with the announcement in March 2012 that Dignity Health will consolidate four of its patient financial service centers into a single service center

Expenses related to the name change to Dignity Health and governance restructuring described in Note 1 include legal and implementation costs

17. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

***Litigation, Regulatory and Compliance Matters* - General** –The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, government healthcare program participation, government reimbursement, antitrust, anti-kickback and anti-referral by physicians, false claims prohibitions, and in the case of tax-exempt organizations, the requirements of tax exemption In recent years, government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations, quality of care provided to patients, and handling of controlled substances In addition, during the course of business, Dignity Health becomes involved in litigation Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure Following is a discussion of matters of note

Department of Justice and OIG Investigations –Dignity Health and/or its facilities periodically receive notices from governmental agencies, such as the Department of Justice or the Office of Inspector General ("OIG"), requesting information regarding billing, payment, or other reimbursement matters, or formally or informally initiating investigations, or indicating the existence of whistleblower litigation The healthcare industry in general is experiencing an increase in these activities, as the federal government increases enforcement activities and institutes new programs designed to identify areas of potential reimbursement or quality irregularities Based on the information received to date from the government, Dignity Health does not presently have information indicating that any of these current matters or their resolution will have a material effect on Dignity Health's financial statements, taken as a whole Nevertheless, investigations of this type and scope could lead to civil and/or criminal charges and material penalties or settlements Consequently, there can be no assurance that the resolution of these matters will not affect the financial condition or operations of Dignity Health, taken as a whole

Medicare Certification –From time to time, Dignity Health and/or its facilities receive notices from CMS that steps to terminate provider agreements will be taken unless certain corrective actions related to qualification for Medicare participation are undertaken The process of responding to these notices involves plan(s) of correction by the facility and resurvey by CMS or its designee Although termination is rare there is no guarantee that CMS or its designee will be satisfied with a facility's corrective action Currently, St Joseph's Medical Center of Stockton, Community Hospital of San Bernardino and Mercy Medical Center (Merced) are in the process of addressing such notices

Wage and Hour Class Actions and Litigation – Federal law and many states, including California, impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar requirements Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards In recent years, there has been a proliferation of lawsuits over these "wage and hour" issues, often in the form of large, sometimes multi-state, class actions For large employers such as hospitals and health systems, such class actions can involve multi-million dollar claims, judgments and/or settlements

In February 2008, a lawsuit was filed against Dignity Health alleging violations of California state wage and hour laws and regulations The lawsuit was fashioned as a class action on behalf of nurses and medical technicians employed at Dignity Health's California facilities during the previous four years In July 2012, the court denied the plaintiffs' motion to certify the classes of Dignity Health's employees, leaving the three individual plaintiffs to pursue their individual cases in lieu of a class action Despite this outcome, lawsuits of this nature have the potential for a material impact on the financial condition or operations of Dignity Health

Employment Law Litigation – In February 2012, a jury in federal court awarded damages and lost wages to a former employee of Mercy General Hospital (Sacramento) in response to various employment law claims The aggregate jury award of approximately $168 0 million appears to include duplication of award

amounts and is subject to elimination of duplication, as well as certain statutory limits on damages On April 30, 2012, the trial judge entered judgment in the case, reducing the jury verdict to approximately $82 3 million Management is of the opinion that the facts do not support the verdict or the damages The parties are currently involved in post-trial motions in which the Corporation seeks a new trial, or in the alternative, a significantly reduced judgment If unsuccessful, management plans to appeal the judgment The Corporation has multiple layers of insurance coverage and the extent to which these layers will be impacted depends in part on the final determination of liability and/or damages Insurers for a portion of these layers have filed suit in federal court seeking declaratory relief that they have no coverage obligation for the judgment entered against the Corporation Consequently, there can be no assurance that the resolution of this matter will not have a material effect on the financial condition or results of operations of Dignity Health, taken as a whole

Property Tax Assessments – Dignity Health received written notification from two county property tax assessors with respect to three of its hospitals asserting that the hospitals failed to satisfy a technical legal requirement to qualify for California property tax exemption The possible liability exposure with respect to three hospitals could be as high as approximately $16 8 million The Corporation disagrees with the assessors' assertions, has made appropriate administrative filings and is considering additional potential responses, including the possibility of court litigation, which would require payment of some portion of the contested amount as a condition to filing a claim in court Nevertheless, claims of this nature have the potential for a material effect on the financial condition or results of operations of Dignity Health

Health Care Reform – In March 2010, President Obama signed the Patient Protection and Affordable Care Act ("PPACA") into law PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U S residents through a combination of public program expansion and private sector health insurance reforms To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs Given that the final regulations and interpretive guidelines have yet to be published, Dignity Health is unable to fully predict the impact of PPACA on its operations and financial results There were multiple lawsuits challenging the constitutionality of major portions of PPACA, in June 2012, the U S Supreme Court upheld the major portions while limiting the federal government's ability to pressure state Medicaid programs to participate Even so, Dignity Health's management expects that in the coming years patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payers will be reduced and made conditional on various quality measures Management of Dignity Health is studying and evaluating the anticipated impacts and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement

Operating Leases – Dignity Health leases various equipment and facilities under operating leases Gross rental expense for 2012 and 2011 was $108 3 million and $105 8 million, respectively, which is offset by sublease income of $1 4 million and $2 1 million for 2012 and 2011, respectively These amounts are recorded in purchased services and other on the accompanying statements of operations and changes in net assets

Net future minimum lease payments under non-cancelable operating leases as of June 30, 2012, are as follows (in thousands)

	Lease Payments	Sublease Income	Net Future Minimum Lease Payments
2013	$ 64,015	$ (2,410)	$ 61,605
2014	49,786	(1,105)	48,681
2015	40,880	(870)	40,010
2016	34,858	(814)	34,044
2017	28,868	(754)	28,114
Thereafter	116,526	(9,766)	106,760
Total	$ 334,933	$ (15,719)	$ 319,214

Long-term Contracts and Agreements –In October 2008, Dignity Health renegotiated a contract for information technology management services which specifies the types and levels of services, which can be modified by mutual agreement, and provides for monthly usage-based adjustments to fees The agreement contains a mechanism for price adjustments should there be new affiliations or disaffiliations Based on current modifications to this agreement, the base fee under the contract will be $35 6 million in 2013 and $21 9 million per year thereafter, increasing annually by inflation through October 2015, the term of the agreement Dignity Health may cancel the agreement without cause subject to significant penalties through October 2013, and without penalty during the remaining two years of the contract Under the terms of this agreement, Dignity Health expensed $55 2 million and $52 7 million in 2012 and 2011, respectively, in purchased services and other on the accompanying statements of operations and changes in net assets

In July 2010, Dignity Health entered into an agreement for the development, implementation and management of certain clinical technology management programs for six Dignity Health hospitals, which has since been modified to include all other Dignity Health hospitals The agreement is in effect for five years upon each hospital's implementation Dignity Health may cancel the agreement without cause subject to penalties during the first four years of the contract, based upon the implementation date at the respective hospital, and without penalty during the final year of the contract As of June 30, 2012, approximately $200 0 million in commitments remain under this contract through August 2016

In December 2007, Dignity Health entered into a development agreement with the Sequoia Healthcare District ("District") whereby the District relinquished all control over Sequoia Health Services ("SHS") and agreed to provide funding of $75 0 million toward the modernization, upgrading and seismic retrofitting of Sequoia Hospital In return for the funding commitment, the District is entitled to 50% of Sequoia Hospital's annual Operating Earnings Before Interest, Depreciation and Amortization ("EBIDA") exceeding a 9 3% annual Operating EBIDA Margin for 40 years Operating EBIDA is defined as operating income adjusted for certain excluded items Dignity Health has committed to funding $150 0 million toward the construction project and approximately $15 0 million in additional funding is anticipated from philanthropic gifts If the construction does not conform to certain agreed-upon specifications or is not completed consistent with the terms of the development agreement related to project timing, the District has the right to require the return of its $75 0 million contribution The multi-phased construction project began in September 2007 and is expected to be completed in phases through fiscal 2014 Dignity Health's management expects to meet the required construction specifications and time requirements under the agreement with the District

Capital and Purchase Commitments – Dignity Health has undertaken various construction and expansion projects that may include certain capital commitment requirements At June 30, 2012 and 2011, remaining capital commitments related to these projects were approximately $273 1 million and $254 6 million, respectively Dignity Health also enters into various agreements that require certain minimum purchases of goods and services These commitments are at levels consistent with normal business requirements

Excluding the capital and long-term contract commitments discussed above, outstanding purchase commitments were approximately $192 4 million and $85 5 million at June 30, 2012 and 2011, respectively, excluding the agreements noted above

Guarantees – Dignity Health has guaranteed the indebtedness of other organizations in the amount of $12 7 million and $33 8 million as of June 30, 2012 and 2011, respectively

Dignity Health enters into physician recruitment agreements with certain physicians who agree to relocate to its communities to fill a need in the hospitals' service areas and commit to remain in practice there Under these agreements, Dignity Health makes loans available to the physicians that are earned over the period the physicians fulfill their commitment to the community, which is typically three years, or are repayable by the physicians The maximum potential amount of future undiscounted payments Dignity Health could be required to make under these guarantees is $18 3 million and $19 8 million as of June 30, 2012 and 2011, respectively Dignity Health recorded $12 1 million and $13 2 million in other current liabilities as of June 30, 2012 and 2011, respectively, and $6 2 million and $6 6 million in other long-term liabilities as of June 30, 2012 and 2011, respectively, related to these guarantees

Seismic Standards – The State of California issued seismic safety standards in 1994 which have been amended on several occasions since then The regulations call for more stringent structural building standards to be in place by January 2013 for buildings remaining in acute care service beyond that date, with a two-year extension in most circumstances by meeting certain milestone dates Recent legislation effective in June 2012 provides for further extension of the deadlines for achieving compliance in certain circumstances California law currently imposes a separate more rigorous set of seismic standards that become effective in 2030 for acute care facilities

Each of the acute care service buildings at Dignity Health's California facilities either (1) meets the standards in effect until 2030, (2) is not subject to those standards, (3) will not be used for acute care services beyond 2013 subject to any extension of such deadline, or (4) is scheduled to undergo remediation before applicable deadline dates, as such dates may be extended Management currently estimates that remaining remediation costs required for meeting the standards for projects specific to structural and non-structural performance in effect until 2030 is approximately $390 0 million Management has initiated planning and design efforts at all facilities to meet the extended deadlines However, with the passage of the recent legislation that provides for longer extensions, Dignity Health has applied for extensions and anticipates that the applications will be approved, which would allow for the deferral of approximately $225 0 million of capital expenditures from 2013 through 2015 to 2016 through 2019 Dignity Health may choose to withdraw selected buildings from acute care service rather than satisfy the standards

18. DIGNITY HEALTH, SUBORDINATE CORPORATIONS AND SUBSIDIARIES

Following is a list of corporations and subsidiaries that are included in the accompanying consolidated financial statements for 2012. Unless otherwise indicated, such entities are nonprofit corporations. The Obligated Group Members are denoted by an asterisk (*). Unless otherwise indicated, subsidiaries are not Obligated Group Members.

Dignity Health*
- Operating dba's of Dignity Health
  - Arroyo Grande Community Hospital
  - California Hospital Medical Center – Los Angeles
  - Chandler Regional Medical Center
  - Dominican Hospital
  - French Hospital Medical Center
  - Glendale Memorial Hospital and Health Center
  - Marian Medical Center West
  - Marian Regional Medical Center
  - Mercy General Hospital
  - Mercy Gilbert Medical Center
  - Mercy Hospital (Bakersfield)
  - Mercy Hospital of Folsom
  - Mercy Medical Center (Merced)
  - Mercy Medical Center Mt. Shasta
  - Mercy Medical Center Redding
  - Mercy San Juan Medical Center
  - Mercy Southwest Hospital
  - Methodist Hospital of Sacramento
  - Northridge Hospital Medical Center
  - Saint Mary's Regional Medical Center (See Note 3)
  - Sequoia Hospital
  - St. Bernardine Medical Center
  - St. Elizabeth Community Hospital
  - St. John's Pleasant Valley Hospital
  - St. John's Regional Medical Center
  - St. Joseph's Behavioral Health Center
  - St. Joseph's Hospital and Medical Center
  - St. Joseph's Medical Center of Stockton
  - St. Mary Medical Center
  - St. Mary's Medical Center
  - St. Rose Dominican Hospital Rose de Lima Campus
  - St. Rose Dominican Hospital Siena Campus
  - St. Rose Dominican Hospital San Martin Campus
  - Woodland Memorial Hospital
- Dignity Health Hospital and Professional Liability Self-Insurance Trust (California trust)
- Dignity Health Workers' Compensation Self-Insurance Trust (California trust)
- Dignity Health Insurance Ltd. (Cayman Island corporation)
- Bakersfield Memorial Hospital*
- Dignity Health Medical Foundation*
- Community Hospital of San Bernardino*
- Mercy Senior Housing, Inc.*
- Saint Francis Memorial Hospital*
- Sierra Nevada Memorial-Miners Hospital*
- Arroyo Grande Community Hospital Foundation
- California Hospital Medical Center Foundation
- Dignity Health Foundation East Valley
- Community Hospital of San Bernardino Foundation
- Dominican Hospital Foundation
- French Hospital Medical Center Foundation
- Glendale Memorial Health Foundation
- Marian Medical Center Foundation
- Mercy Foundation, Bakersfield
- Mercy Medical Center Merced Foundation
- Northridge Hospital Foundation
- Saint Mary's Foundation
- San Gabriel Valley Medical Center Foundation
- St. Bernardine Medical Center Foundation
- St. Francis Foundation of Santa Barbara
- St. John's Healthcare Foundation (Oxnard and Pleasant Valley)
- St. Joseph's Foundation (Phoenix)
- St. Joseph's Foundation of San Joaquin
- St. Mary Medical Center Foundation
- St. Mary's Medical Center Foundation
- St. Rose Dominican Health Foundation
- The Congenital Heart Foundation
- CHMC Hope Street Family Center Property Management, LLC
- CDS of Nevada, Inc. (taxable)
- Dominican Health Services
- Dominican Oaks Corporation
- Glendale Memorial Services Corporation (taxable)
- Golden Umbrella
- Inland Health Organization of Southern California (taxable)
- Management Services Organization of Santa Maria, Inc. (taxable)
- Marian Community Clinics, Inc.
- Marian Health Services, Inc. (taxable)
- Mark Twain St. Joseph's Healthcare Corporation
- Saint Mary's Healthfirst (taxable)
- Saint Mary's Multi-Specialty Clinic, Inc. (taxable) (See Note 3)
- Saint Mary's Preferred Health Insurance Company, Inc. (taxable)
- Shasta Senior Nutrition Program
- St. Francis Foundation, LLC
- St. Mary Catholic Housing Corporation
- St. Mary Health Ventures, Inc. (taxable)
- St. Mary Professional Building, Inc.
- St. John's Regional Imaging Center, LLC
- TrinityCare, LLC
- TrinityCare Infusion Services (taxable)

* * * * * *

Additional Data

Software ID:
Software Version:
EIN: 94-1156295
Name: Saint Francis Memorial Hospital

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			
Jane Bachmann Board Member	30	X						0	0	0
Dr Amy Bossen Board Member	30	X						13,000	0	0
Carrie Byles Board Member	30	X						0	0	0
Dr Gary Chan Board Member	30	X						1,547	0	0
Anna Cheung Board Member	30	X						0	519,157	68,817
Dr David Duong Board Member	30	X						15,536	0	0
Dr Issa Eshima Board Member	30	X						0	0	0
Robert Eves Board Member	30	X						0	0	0
Dr Guido J Gores Board Member	30	X						0	0	0
Mary Kane RN JD Board Member	30	X						0	0	0
Dr David J Malone Board Member	30	X						3,197	0	0
Charles McGettigan Board Member	30	X						0	0	0
Dr Victor Prieto Board Member	30	X						175,215	0	0
Julie Soo JD Board Member	30	X						0	0	0
Dr Peter Teng Board Member	30	X						0	0	0
Glenna Vaskelis Board Member	30	X						0	643,864	88,764
Wendy Xa Board Member	30	X						0	0	0
Susan Campbell Chair	50	X		X				0	0	0
Dr Clement Jones Secretary	30	X		X				0	0	0
Dr Frank Malin Vice-Chair	30	X		X				0	0	0
Alan Fox CFO/Treasurer	400			X				295,495	0	49,042
Tom Hennessy President/CEO	400			X				0	541,083	78,447
Anthony Jackson COO	400				X			273,704	0	25,095
Helen Karow Sr Director OR	400				X			179,941	0	32,940
Dennis Kneeppel CNE	400				X			278,171	0	32,034

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			
Deborah Kolhede VP Strategy & Business Develop	40 0				X			0	240,318	16,181
Raymond Miller Director-Pharmacy	40 0				X			199,840	0	36,297
Barbara Morrissette VP HR	40 0				X			212,212	0	36,197
Abbie Yant Senior Director Advocacy	40 0				X			191,128	0	40,710
Dallas Ryan Director Materials Management	40 0				X			177,371	0	32,095
Andrew Smith VP Medical Affairs	40 0				X			336,835	0	42,218
Frances T L Chee Registered Nurse	40 0					X		240,697	0	30,995
Deborah Chew Registered Nurse	40 0					X		236,077	0	40,825
Robert A Dureault President - Foundation	40 0					X		256,159	0	38,609
Yipi Yang Registered Nurse	40 0					X		256,713	0	25,183
Doris Y Yau Staff Nurse III	20 0					X		285,156	0	47,684

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 94-1156295
Name: Saint Francis Memorial Hospital

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				
Anna Cheung	(I)	0	0	0	0	0	0	0
	(II)	317,735	186,007	15,415	32,477	36,340	587,974	0
Dr Victor Prieto	(I)	175,215	0	0	0	0	175,215	0
	(II)	0	0	0	0	0	0	0
Glenna Vaskelis	(I)	0	0	0	0	0	0	0
	(II)	402,198	224,850	16,816	43,210	45,554	732,628	0
Alan Fox	(I)	242,215	45,756	7,524	24,369	24,673	344,537	0
	(II)	0	0	0	0	0	0	0
Tom Hennessy	(I)	0	0	0	0	0	0	0
	(II)	322,110	197,768	21,205	34,299	44,148	619,530	0
Anthony Jackson	(I)	126,096	0	147,608	11,109	13,986	298,799	0
	(II)	0	0	0	0	0	0	0
Helen Karow	(I)	165,752	12,693	1,496	15,759	17,181	212,881	0
	(II)	0	0	0	0	0	0	0
Dennis Kneeppel	(I)	226,176	40,954	11,041	22,852	9,182	310,205	0
	(II)	0	0	0	0	0	0	0
Deborah Kolhede	(I)	0	0	0	0	0	0	0
	(II)	204,593	33,386	2,339	13,565	2,616	256,499	0
Raymond Miller	(I)	184,670	12,984	2,186	14,619	21,678	236,137	0
	(II)	0	0	0	0	0	0	0
Barbara Morrissette	(I)	178,089	33,173	950	19,062	17,135	248,409	0
	(II)	0	0	0	0	0	0	0
Abbie Yant	(I)	156,469	30,732	3,927	16,825	23,885	231,838	0
	(II)	0	0	0	0	0	0	0
Dallas Ryan	(I)	164,642	12,175	554	15,338	16,757	209,466	0
	(II)	0	0	0	0	0	0	0
Andrew Smith	(I)	281,866	53,515	1,454	26,991	15,227	379,053	0
	(II)	0	0	0	0	0	0	0
Frances T L Chee	(I)	232,928	2,010	5,759	13,421	17,574	271,692	0
	(II)	0	0	0	0	0	0	0
Deborah Chew	(I)	234,308	1,769	0	13,456	27,369	276,902	0
	(II)	0	0	0	0	0	0	0
Robert A Dureault	(I)	203,111	50,426	2,622	14,626	23,983	294,768	0
	(II)	0	0	0	0	0	0	0
Yipi Yang	(I)	255,273	1,440	0	14,633	10,550	281,896	0
	(II)	0	0	0	0	0	0	0

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				
Doris Y Yau	(I)	283,503	1,653	0	19,466	28,218	332,840	0
	(II)	0	0	0	0	0	0	0