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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 09-01-2011 and ending 08-31-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

SFH Inc

Doing Business As

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

One St Francis Drive

City or town, state or country, and ZIP + 4

Greenville, SC 296013955

F Name and address of principal officer

Ronnie Hyatt

One St Francis Drive

Greenville,SC 296013955

D Employer identification number

58-2504530

E Telephone number

(864) 255-1000

G Gross receipts \$ 506,712,104

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: www.stfrancishealth.org

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation 1932

M State of legal domicile SC

Part I	Summary
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>Provides acute care hospital services</div></div>
	<div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>
	<div><div>3</div><div>Number of voting members of the governing body (Part VI, line 1a)</div><div>3</div><div>16</div></div>
	<div><div>4</div><div>Number of independent voting members of the governing body (Part VI, line 1b)</div><div>4</div><div>12</div></div>
	<div><div>5</div><div>Total number of individuals employed in calendar year 2011 (Part V, line 2a)</div><div>5</div><div>2,864</div></div>
	<div><div>6</div><div>Total number of volunteers (estimate if necessary)</div><div>6</div><div>356</div></div>
	<div><div>7a</div><div>Total unrelated business revenue from Part VIII, column (C), line 12</div><div>7a</div><div>908,308</div></div>
	<div><div>7b</div><div>Net unrelated business taxable income from Form 990-T, line 34</div><div>7b</div><div>117,733</div></div>
Revenue	<div><div>8</div><div>Contributions and grants (Part VIII, line 1h)</div><div>8</div><div>4,667,895</div><div>6,091,360</div></div>
	<div><div>9</div><div>Program service revenue (Part VIII, line 2g)</div><div>9</div><div>456,648,660</div><div>493,330,144</div></div>
	<div><div>10</div><div>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</div><div>10</div><div>1,199,148</div><div>758,735</div></div>
	<div><div>11</div><div>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</div><div>11</div><div>5,926,029</div><div>6,530,587</div></div>
	<div><div>12</div><div>Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</div><div>12</div><div>468,441,732</div><div>506,710,826</div></div>
Expenses	<div><div>13</div><div>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</div><div>13</div><div>798,354</div><div>837,228</div></div>
	<div><div>14</div><div>Benefits paid to or for members (Part IX, column (A), line 4)</div><div>14</div><div>0</div><div>0</div></div>
	<div><div>15</div><div>Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</div><div>15</div><div>158,462,712</div><div>168,077,821</div></div>
	<div><div>16a</div><div>Professional fundraising fees (Part IX, column (A), line 11e)</div><div>16a</div><div>0</div><div>0</div></div>
	<div><div>b</div><div>Total fundraising expenses (Part IX, column (D), line 25)</div><div>b</div><div>0</div><div></div></div>
	<div><div>17</div><div>Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)</div><div>17</div><div>243,084,480</div><div>270,309,285</div></div>
	<div><div>18</div><div>Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</div><div>18</div><div>402,345,546</div><div>439,224,334</div></div>
Net Assets or Fund Balances	<div><div>19</div><div>Revenue less expenses Subtract line 18 from line 12</div><div>19</div><div>66,096,186</div><div>67,486,492</div></div>
	<div><div>20</div><div>Total assets (Part X, line 16)</div><div>20</div><div>576,738,604</div><div>629,460,247</div></div>
	<div><div>21</div><div>Total liabilities (Part X, line 26)</div><div>21</div><div>329,674,334</div><div>320,135,936</div></div>
	<div><div>22</div><div>Net assets or fund balances Subtract line 21 from line 20</div><div>22</div><div>247,064,270</div><div>309,324,311</div></div>

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

Ronnie Hyatt CFO-BSSFHS

2013-07-13

Date

Paid Preparer's Use Only

Preparer's signature

David A Craig

Date

Check if self-employed

Preparer's taxpayer identification number (see instructions)

P00542227

Firm's name (or yours if self-employed), address, and ZIP + 4

DELOITTE TAX LLP

1750 TYSONS BLVD

MCLEAN, VA 221024219

EIN

86-1065772

Phone no

(703) 251-1000

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

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part IIIStatement of Program Service Accomplishments

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

1Briefly describe the organization’s mission

The mission is to bring compassion to health care and to be good help to those in need, especially those who are poor and dying As a system of caregivers, we commit ourselves to help bring people and communities to health and wholeness

2Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

If “Yes,” describe these new services on Schedule O

3Did the organization cease conducting, or make significant changes in how it conducts, any program services?

If “Yes,” describe these changes on Schedule O

4Describe 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 \$ 400,191,230 including grants of \$ 837,228) (Revenue \$ 493,239,148)

Bon Secours St Francis Health System (BSSFHS) primarily serves Greenville County, which is comprised of approximately 450,000 residents with an 18% population increase over the last decade 15 3% of residents in Greenville County are in households that fall below the federal poverty guidelines Currently, 27% of Greenville County residents are considered medically uninsured Two specific populations with large growth rates in the county are the senior population, with a 17% growth of residents 60 and older since 2000, and the Hispanic population, with an estimated growth of over 147% over the past decade The three leading causes of death for Greenville County are cancer, cardiovascular disease and accidents See Community benefit information in Sch H The Community Benefit Report is available on the SFH website

4b

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

4c

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





















4dOther program services (Describe in Schedule O)

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

4eTotal program service expenses\$ 400,191,230

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)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (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? <i>If "Yes," complete Schedule C, Part I.</i> 	3	No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	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? <i>If "Yes," complete Schedule C, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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? <i>If "Yes," complete Schedule F, Part I.</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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	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 ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	16	No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	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? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	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? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	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? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	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? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	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? <i>If "Yes," complete Schedule R, Part VI</i>	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 <input type="checkbox"/>				
			Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	153	
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	2,864	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a		No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7	Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	0	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8		
9	Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10	Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b		
11	Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b		
c	Enter the aggregate amount of reserves on hand.	13c		
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a		No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b		

Part VI

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a16		
b	Enter the number of voting members included in line 1a, above, who are independent	1b12		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed ▶	
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> 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 ▶ Ronnie Hyatt One St Francis Drive Greenville, SC 296053955 (864) 255-1000	

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Charlton Armstrong III MD Board Member	4 00	X						0	0	0
(2) Brother Peter Campbell Board Member	4 00	X						0	0	0
(3) John Castile Board Member (Jan-Aug)	4 00	X						0	0	0
(4) Greg Haselden Board Member	4 00	X						0	0	0
(5) Robert Hitt Board Member	4 00	X						0	0	0
(6) Valene Hollinger Board Member	4 00	X						0	0	0
(7) Fletcher Kirkland Board Member	4 00	X						0	0	0
(8) Joanie Martin Board Member	4 00	X						0	0	0
(9) Wayne McDonald MD Board Member	4 00	X						0	0	0
(10) Jeff Oak Board Member	50 00	X						0	347,558	82,122
(11) Linton B Puckett Board Member	4 00	X						0	0	0
(12) Joe Sullivan Board Member	4 00	X						0	0	0
(13) Pearlie Harris Chairman (Sept-Dec)	6 00	X		X				0	0	0
(14) Camilla Hertwig Chairman (Jan-Aug)	6 00	X		X				0	0	0
(15) Thomas Morris PhD President	50 00	X		X				0	303,520	67,515
(16) Mark Nantz CEO - BSSFHS	50 00	X		X				0	580,131	107,975
(17) Irene Holcombe Secretary	50 00			X				83,130	0	16,676

Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Ronnie Hyatt CFO/Treasurer-BSSFHS	50 00			X				378,933	0	36,305
(19) Daniel Duggan EVP/COO	50 00				X			0	568,242	47,305
(20) Teresa Ficicchy EVP/CNO	50 00				X			281,048	0	23,952
(21) Patricia Fowler VP/Surgical Services	50 00				X			195,739	0	49,522
(22) Johnna Reed VP Bus Dev/Heart & Vasc	50 00				X			227,486	0	28,126
(23) Nancy Graebner SVP, Phys Svc (Sep-Dec)	50 00					X		0	308,647	36,160
(24) Mark A Klapperich CRNA	50 00					X		0	234,932	37,268
(25) Frank C Smeeks SVP, CMO	50 00					X		0	242,589	19,354
(26) Suzanne Turner CRNA	50 00					X		0	205,114	40,420
(27) Jerome J Weems Jr Physician	50 00					X		0	266,707	15,629
(28) Lisa Slayton Senior VP/HR	0 00						X	243,193	0	5,711
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,409,529	3,057,440	614,040

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▶126

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3 Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>	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
Cameron Construction PO Box 15120 Greenville, SC 29610	Construction	2,902,625
Hospital Medicine Associates PO Box 634850 Cincinnati, OH 45263	ER Physician Staffing	1,628,758
American Security PO Box 100199 Columbia, SC 29202	Security Services	1,109,335
Brains on Fire 148 River Street Suite 100 Greenville, SC 29601	Public Relations	990,278
Sleepworks LLC 554 Hall Road Thomasville, GA 31757	Sleep Study Services	854,920
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 ▶32		

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	3,079,041				
	e	Government grants (contributions)	1e	3,005,569				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	6,750				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f			6,091,360			
Program Service Revenue			Business Code					
	2a	Patient Service Rev	622110	491,611,005	491,520,009	90,996		
	b	Disprop Share Income	561499	1,719,139	1,719,139			
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			493,330,144			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)			499,567		499,567	
	4	Income from investment of tax-exempt bond proceeds . . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		478,158		6,447				
		0		0				
		478,158		6,447				
	d	Net rental income or (loss)			484,605	3,004	481,601	
	7a	(i) Securities		(ii) Other				
		248,996		11,450				
		0		1,278				
		248,996		10,172				
	d	Net gain or (loss)			259,168		259,168	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18		a				
	b	Less direct expenses		b				
	c	Net income or (loss) from fundraising events . . .						
	9a	Gross income from gaming activities See Part IV, line 19		a				
	b	Less direct expenses		b				
	c	Net income or (loss) from gaming activities . . .						
	10a	Gross sales of inventory, less returns and allowances		a				
	b	Less cost of goods sold		b				
	c	Net income or (loss) from sales of inventory . . .						
Miscellaneous Revenue		Business Code						
11a	Cafeteria/Vending/Gift		561499	2,214,075			2,214,075	
b	Regency Hospital		900099	1,755,414			1,755,414	
c	Clinical Trials		900099	421,316		421,316		
d	All other revenue			1,655,177		392,992	1,262,185	
e	Total. Add lines 11a-11d			6,045,982				
12	Total revenue. See Instructions			506,710,826	493,239,148	908,308	6,472,010	

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	837,228	837,228		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,400,831	1,260,748	140,083	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	133,717,977	120,346,179	13,371,798	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	8,936,814	8,043,133	893,681	
9	Other employee benefits	13,590,941	12,231,847	1,359,094	
10	Payroll taxes	10,431,258	9,388,132	1,043,126	
11	Fees for services (non-employees)				
a	Management				
b	Legal	862,450	776,205	86,245	
c	Accounting	218,067	196,260	21,807	
d	Lobbying	23,734	21,361	2,373	
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	7,169,643	6,452,679	716,964	
12	Advertising and promotion	1,485,199	1,336,679	148,520	
13	Office expenses	4,169,583	3,752,625	416,958	
14	Information technology	9,768,071	8,791,264	976,807	
15	Royalties				
16	Occupancy	8,280,460	7,452,414	828,046	
17	Travel	623,722	561,350	62,372	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	592,963	533,667	59,296	
20	Interest	8,790,804	8,790,804		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	18,834,941	16,951,447	1,883,494	
23	Insurance	1,747,510	1,572,759	174,751	
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	100,802,382	90,722,144	10,080,238	
b	Bad Debt	39,265,261	39,265,261		
c	Purchased Services	32,474,074	29,226,667	3,247,407	
d	BSHSI Mgmt Allocation	15,760,050	14,184,045	1,576,005	
e					
f	All other expenses	19,440,371	17,496,332	1,944,039	
25	Total functional expenses. Add lines 1 through 24f	439,224,334	400,191,230	39,033,104	0
26	Joint costs. Check here <input type="checkbox"/> 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)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			0	1	9,550
	2	Savings and temporary cash investments			234,525,058	2	278,689,736
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			56,901,792	4	59,116,396
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			13,130,586	8	13,410,820
	9	Prepaid expenses and deferred charges			1,504,357	9	2,423,498
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	270,593,743			
	b	Less: accumulated depreciation	10b	113,054,696	165,188,410	10c	157,539,047
	11	Investments—publicly traded securities				11	
	12	Investments—other securities. See Part IV, line 11			16,330,910	12	17,673,054
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	83,640,996
	15	Other assets. See Part IV, line 11			89,157,491	15	16,957,150
	16	Total assets. Add lines 1 through 15 (must equal line 34)			576,738,604	16	629,460,247
Liabilities	17	Accounts payable and accrued expenses			49,904,277	17	39,917,502
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			279,770,057	25	280,218,434
	26	Total liabilities. Add lines 17 through 25			329,674,334	26	320,135,936
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			247,064,270	27	309,324,311
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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			247,064,270	33	309,324,311
	34	Total liabilities and net assets/fund balances			576,738,604	34	629,460,247

Part XI Reconciliation 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	506,710,826
2	Total expenses (must equal Part IX, column (A), line 25)	2	439,224,334
3	Revenue less expenses Subtract line 2 from line 1	3	67,486,492
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	247,064,270
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-5,226,451
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	309,324,311

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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?		No
b	Were the organization's financial statements audited by an independent accountant?	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	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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> 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?	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	Yes	

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Name of the organization
SFH Inc

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

Employer identification number

58-2504530

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?

(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?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(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?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
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 IIIPart 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

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 SFH Inc	Employer identification number 58-2504530
-------------------------------------	--

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

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)		(b)
		Yes	No	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		23,734
	j Total lines 1c through 1i			23,734
	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).		
		2a	
		2b	
		2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	SFH, Inc. paid dues to the South Carolina Hospital Association (SCHA), American Hospital Association (AHA), and the Catholic Hospital Association (CHA), a portion of which is used for lobbying activities. The portion of dues allocated to lobbying activities for each of these organizations is as follows: Lobbying activity for AHA (\$9,914 or 24.6%), SCHA (\$9,371 or 6.7%), CHA (\$4,448 or 5.15%) for a total of \$23,734.

SCHEDULE D
(Form 990)

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 SFH Inc	Employer identification number 58-2504530
-------------------------------------	--

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?	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

(ii)

related organizations

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

	Yes	No
3a(i)		
3a(ii)		
3b		

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		18,844,610		18,844,610
b Buildings		149,807,536	40,158,604	109,648,932
c Leasehold improvements		1,398,058	480,345	917,713
d Equipment		78,372,775	50,877,826	27,494,949
e Other		22,170,764	21,537,921	632,843
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				157,539,047

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
Description of Uncertain Tax Positions Under FIN 48	Part X	Schedule D, Part X, Line 2 requires that the organization provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under ASC740 (Formerly FIN 48). ASC740 (Formerly FIN 48) addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The adoption of ASC740 (Formerly FIN 48) by BSHSI on September 1, 2007 did not have a material impact on BSHSI's consolidated financial statements. As the organization does not conduct a separate audit of its financial statements, below is the related statement from the Bon Secours Health System, Inc. consolidated audited financial statements. The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740 (Formerly FIN 48). Income taxes of the System's for-profit subsidiaries are not material to the accompanying consolidated financial statements. The System's taxable subsidiaries have approximately \$95,733 and \$89,500 of net operating loss carryforwards as of August 31, 2012 and 2011, respectively, which expire in varying periods through 2032 and are available to offset future taxable income. The System's deferred tax assets are fully reserved at August 31, 2012 and 2011. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization
SFH Inc

Employer identification number
58-2504530

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 <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
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 <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input checked="" type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> 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"?	3a	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 eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during 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)			7,793,698		7,793,698	1 950 %
b Medicaid (from Worksheet 3, column a)			22,140,938	21,620,968	519,970	0 130 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			29,934,636	21,620,968	8,313,668	2 080 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,961,486	6,730	1,954,756	0 490 %
f Health professions education (from Worksheet 5)			2,347,146		2,347,146	0 590 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,255,461		1,255,461	0 310 %
j Total Other Benefits			5,564,093	6,730	5,557,363	1 390 %
k Total. Add lines 7d and 7j			35,498,729	21,627,698	13,871,031	3 470 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development						
3Community support	5	2,171	207,974		207,974	0.050 %
4Environmental improvements	2	8	8,317		8,317	0 %
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy	1	61	33,523		33,523	0.010 %
8Workforce development						
9Other						
10Total	8	2,240	249,814		249,814	0.060 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	7,663,459	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3		
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	123,542,950	
6Enter Medicare allowable costs of care relating to payments on line 5	6	136,533,510	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-12,990,560	
8Describe 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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "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 IVManagement 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 %
11Update Surgery Center	Ambulatory Surgery Center	0.006 %	0 %	0.002 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

Name and address

[illegible]

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.)

SFH Inc dba St Francis- Downtown

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 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
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? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> 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		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that 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? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	Yes	
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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

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		No
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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?	Yes	
	If "No," indicate why		
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> 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?		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?		No
	If "Yes," explain in Part VI		

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

SFH Inc dba St Francis- East side

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
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? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> 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? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	Yes	
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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

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		No
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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions			
b <input type="checkbox"/> The hospital facility's policy was not in writing			
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b <input type="checkbox"/> 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 <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d <input type="checkbox"/> 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? 22

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 7 Part I, line 7a Charity Care at cost is computed by applying a cost-to-charge ratio to the aggregate charity adjustments recorded in the general ledger Part I, line 7b Unreimbursed Medicaid is computed by determining the cost of Medicaid services supplied less payments received for these services To determine the cost of Medicaid services provided, a cost-to-charge ratio is applied to traditional and managed Medicaid gross charges recorded in the general ledger Payments include payments for individual claims, payments from the Medicaid program paid outside the claim process (such as medical education payments) and expected or actual cost report settlements Part I, line 7b(f) Prior to 2006, Medicaid in the state of South Carolinawas reimbursed to hospitals on a fixed prospective basis (fixed rates notdirectly related to costs) For years 2006 - 2011, the state has adjustedtheir methodology from a fixed prospective basis to a cost-to-care basis(actual costs to provide services) As a result of this change, a greaterpercentage of Medicaid is reimbursed to hospitals and unreimbursedMedicaid as a percentage of total expenses is significantly lower thanthose of hospitals in other states As a nonprofit hospital in SouthCarolina, the unreimbursed Medicaid percentage for SFH, Inc is fairlyconsistent with those of other hospitals in the state Part I, line 7c Unreimbursed costs from other means-tested government programs are computed by applying a cost-to-charge ratio to the total charges to patients covered under these programs The charges are identified by the financial class assigned to the patient For Part I, Line 7 a-c computations The cost-to-charge ratio is derived using the suggested computation in Worksheet 2, Ratio of Patient Care Cost-to-Charges Operating expenses and Gross patient charges are taken from the general ledger Expenses for nonpatient care activities recorded in operating expenses are approximated as directly equaling other operating revenue, assuming these activities do not provide profit Part I, line 7e Community health improvement services and community benefit operations are accumulated throughout the year and reported at actual cost in a software program that specifically addresses this purpose Part I, line 7f Health professions education cost is determined as the direct and indirect cost of qualifying education activities as traditionally reported in columns 21-24 on Worksheet B of the Medicare cost report as a Medical Education program, nursing school or other allied health program

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Bad debt expense included in Part IX, line 25 and excluded from the "percent of total expense" calculation is \$39,265,261

Identifier	ReturnReference	Explanation
Community Building Activities	Part II	The Bon Secours' Building Healthy Communities Initiative was created in 2008 to lead efforts towards building healthier communities in which each Bon Secours facility serves Using a multi-level process of community engagement, grassroots advocacy, and strategic partnerships with public or private organizations and individuals, the Bon Secours St Francis Healthy Community Initiative works to strengthen the assets of the community while identifying needs to ultimately improve the overall health of community residents Recent data suggests the Sterling Community experiences higher rates of poverty, and chronic illness and disease Additionally, the community faces high traffic speeds, restricted sidewalks or sidewalks in need of repair, which limit opportunity for safe and convenient exercising Four years since the BSSFHS Building Healthy Communities Initiative was born, Sterling has experienced the following accomplishments - A walking trail connecting the neighborhood to BSSFHS- A new senior program co-created by neighborhood seniors and service providers - The first community-based land trust in South Carolina, leading to potential development of a three-acre textile mill site as location of hospital expansion - Residential organizing and planning of an Urban Farm operation in partnership with hospital and local faith community - Restoration of the historic Sterling Community Center's fitness/weight room, equipped with cardiovascular and strength training equipment that is free and open to the community - The installation of a new basketball and events flooring in the Community Center

Identifier	ReturnReference	Explanation
		<p>Part III, Line 4 Part III, line 2 Bad Debt Expense at cost is computed by applying the cost-to-charge ratio computed on Worksheet 2 to the aggregate bad debt expense for patient accounts recorded in the general ledger. Bad debt expense on the general ledger includes: 1) actual write offs of discounted gross charges where it is determined an uninsured patient can pay and does not pay, and 2) the estimated write offs for uninsured patient accounts with outstanding balances after discount. Estimates are based on historical collection rates. When an uninsured patient is billed for patient care services, the charges are automatically discounted and the patient is requested to only pay the amount after discount. The discount is recorded as an adjustment to gross revenue and is not recorded in bad debt expense. If the balance after discount is not paid or not paid in full, the unpaid amount will be written off to bad debt expense. When a patient remits a payment on an account that has already been written off to bad debt expense, the payment is recorded as a recovery of bad debt, which reduces bad debt expense. Part III, line 3 The organization does not report an estimate for the portion of bad debt expense that may have been likely to qualify for financial assistance under the hospital's charity care policy. The organization takes the position that ample opportunity and assistance is provided to the patient to qualify under the financial assistance policy. If sufficient information is not provided, the organization must assume the patient does not qualify.</p>

Identifier	ReturnReference	Explanation
		Part III, Line 8 Part III, Line 6 Medicare allowable costs reflected in Part III come directly from the facility's Medicare cost report The cost report segregates the total facility actual expenses into costs for support departments, clinical departments (routine and ancillary) and nonreimbursable departments The cost report uses appropriate statistical bases to "step down" support costs to allowable clinical and nonreimbursable departments The charges for clinical departments are matched to the total cost for these departments for a cost-to-charge ratio Medicare-specific allowable costs for in- and outpatient ancillary departments are computed by applying the department-specific cost-to-charge ratio to the Medicare program charges by department For routine departments, a per diem total cost is computed and applied to Medicare program days for the Medicare routine program cost Part III, Line 8 The organization feels the total shortfall of Medicare reimbursement compared to computed Medicare allowable costs should be treated as community benefit The hospital improves access to patient care by providing services regardless of a patient's ability to pay or the hospital's ability to receive full cost reimbursement for services The hospital also relieves the government of a financial burden when it provides care to publically insured patients where reimbursement is less than cost of providing the service

Identifier	ReturnReference	Explanation
		Part III, Line 9b The hospital has a written policy that describes collection practices applying to patients that qualify for charity care or financial assistance If full assistance is approved, no collection efforts are pursued on that patient's account(s) If partial assistance is provided, the patient is responsible for the adjusted account balance and collection efforts will follow the established practices for all patients where a self-pay balance exists Collection efforts are not pursued on any pending Patient Financial Assistance Program (FAP) account Specific criteria exist for how much financial assistance, partial or total, will be provided to the patient based on the assessed need Criteria is based on Federal Poverty Guidelines and is reviewed and updated annually Once a patient has been deemed eligible for the FAP, the patient is notified by letter within 60 days after receipt of the application and supporting documentation The patient retains eligibility for a period of twelve months from the date of the application This eligibility is signaled to hospital admissions, billing and collection staff by the assignment of a specific financial class with accompanying eligibility dates At the end of those twelve months, the patient is responsible for reapplying for FAP eligibility

Identifier	ReturnReference	Explanation
		Part VI, Line 2 BSSFHS has participated in local community health needs assessments on a quinquennial basis through a collaborative partnership with several local agencies and organizations The first health care assessment was conducted in 1998 Subsequent assessments since have reflected successes and "critical areas for action" The most recent community health needs assessment was conducted from November 2011 to November 2012, whereby the community's health was assessed using a survey tool, focus groups and secondary data analysis A full report of the findings and the implementation strategies for mitigating critical areas of need will be available at www.stfrancishealth.org no later than July of 2013

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 3 Patient financial assistance policy is communicated to patients verbally upon scheduling, registration, visible postings of the policy in common areas throughout the hospital, brochures and on Bon Secours website. In addition, patient statements request that patients apply for financial assistance, if needed, once any patient financial obligation is determined. Bon Secours is committed to ensuring access to health care services for all. As a health care provider, Bon Secours treats all patients, whether insured, underinsured or uninsured, with dignity, respect and compassion throughout admission, delivery of services, discharge and billing and collection processes. Bon Secours addresses the needs of the uninsured by providing free or reduced fees on hospital services, community outreach efforts to assist with enrollment in Medicaid and other medical coverage programs, including free community-based preventive and primary care services. Bon Secours proactively screens to identify individuals and their families who may qualify for federal, state or local health insurance programs or the Bon Secours Patient Financial Assistance Program (FAP) and assist the potential eligible patients through the qualification process. Potentially eligible patients that do not qualify for a federal or state health insurance program are referred to the Financial Assistance Coordinator located in Patient Financial Services for assistance in completing the documentation required to establish FAP eligibility. Patients are responsible for providing the information necessary to complete the documentation. The FAP aids uninsured and underinsured patients who do not qualify for government-sponsored health insurance and who communicate their inability to pay for their medical care. The FAP provides 100% financial assistance to uninsured patients with annual family incomes at or below 200% of the Federal Poverty Guidelines (FPG), as adjusted by the Medicare geographic wage index for each community served to reflect that community's relative cost of living (Adjusted FPG). Adjustments to these guidelines are made in certain States, where applicable. A sliding scale assistance policy is afforded patients that exceed the income guidelines for 100% assistance. Sliding scale assistance is provided to patients and progressively declines in proportion to the patients higher income level. Additionally, all uninsured (i.e. self-pay) patients are given a reduction to the amount of the full charges for medically necessary services through a community service adjustment (CSA). The CSA is market adjusted and based on the payment discount received by other health care payers doing business in the community. For these patients, the FAP also sets a maximum annual family payment liability to ensure that no family suffers a catastrophic financial burden to receive necessary health care services. Based on research conducted by the Tax Foundation, a non-partisan tax research group based in Washington DC, the maximum annual family liability is based on a sliding scale determined by the family income and size. The standard sliding scale is adjusted by the Medicare geographic wage index of each community served to reflect that community's relative cost of living. All patients are also eligible for a Prompt Pay Discount. In addition, a variety of other potential payment options are available. Bon Secours is dedicated to meeting the needs of non-English speaking patients by having on-site Spanish translators, and other language translation services. In addition, Bon Secours employs a telephone language service which assists in meeting any language needs that arise. The translation services are offered to non-English speaking patients from admission to discharge, including the financial process.</p>

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 4 BSSFHS primarily serves Greenville County, which is comprised of approximately 450,000 residents with an 18% population increase over the past decade Greenville County is the largest county in the state and one of the fastest growing Conveniently located along Interstate 85 and less than a two-hour drive to Atlanta, Georgia and Charlotte, North Carolina, Greenville County has become a premiere destination for capital investment that will total over \$225 million in 2012 Greenville is home to world-class companies such as Lockheed, General Electric, and IBM Greenville County has announced over \$1 Billion in new capital investment and 8,321 new jobs in the last five years, while the SC Department of Commerce indicates that Greenville is home to more corporate headquarters than any other region in SC (Greenville Area Development Cooperation, 2011) As of 2011, the median household income for Greenville County was \$48,147, slightly higher than the median income for South Carolina of \$44,695 15 3% of residents in Greenville County are in households that fall below the federal poverty guidelines, while 19% of children under the age of 18 live in poverty It is estimated that 27% of the county's population, or an estimated 117,578 people, are considered medically uninsured, more residents than the state as a whole (23 5%) Two specific populations with large growth rates in the county are the senior population, with a 17% growth of residents 60 and older since 2000, and the Hispanic population, with a growth of over 147% over the past decade The major health problems plaguing Greenville residents are cardiovascular disease, cancer and stroke Greenville County data from 2008 indicates an age-adjusted rate of 179 2 (per 100,000) for cancer deaths Prevalence of cardiovascular disease in Greenville County is 2 1%, whereas the state of SC has a prevalence rate of 4 6% Mortality rates for stroke for Greenville County reached an age-adjusted rate (per 100,00) of 46 7 in 2007, while the state of South Carolina had an age adjusted rate (per 100,000) of 47 7 Risk factors that contribute to the incidence of these diseases are also an issue in Greenville County County level data indicates 16% of Greenville County residents smoke, compared to 21% of South Carolina Additionally, 65% of Greenville residents are considered overweight or obese, favorable compared to 67% of the state as a whole (State of South Carolina, Department of Health and Environmental Control, Bureau of Community Health and Chronic Disease Prevention, County Chronic Disease Fact Sheet, February 2010) BSSFHS uses these statistics to develop community programming in partnership with local agencies, as well as improve services within the hospital For example, the Pearlie Harris Breast Health Center, which was granted a full accreditation designation by the National Accreditation Program for Breast Centers (NAPBC), offers free mammograms, breast ultrasounds, breast MRI's and needle biopsies for patients who are unable to pay for these breast procedures with the help of grants received by BSSFHS In addition, two full time Breast Health Navigators are available at no cost to patients who have mammogram results indicative of breast cancer, as well as those whose results are abnormal but non-cancerous They offer emotional support to ensure our patients know all of their options and understand exactly what to expect during their testing and treatment BSSFHS has several specialty services that are recognized centers of excellence The first is a fully accredited bone marrow transplant unit that is one of just three programs in South Carolina In 2010, the unit underwent a major expansion that more than doubled capacity for both inpatient and outpatient services In 2011, St Francis oncology rehab program earned STAR certification The STAR (Survivorship Training and Rehabilitation) Program is a nationally recognized cancer survivorship program that focuses on helping survivors to heal physically and emotionally as well as physical Based on conventional medicine, like orthopedic and cardiac rehabilitation, the STAR Program utilizes an interdisciplinary approach in which caregivers from different specialties team up to help patients increase strength and energy, alleviate pain and improve daily function and well-being</p>

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 5 BSSFHS has an open medical staff with privileges available to all qualified physicians BSSFHS operates an emergency room at both of its hospitals which provide services 24 hours a day, seven days a week to ensure access to needed emergency care for all persons In 2011-2012, the health system was driven to serve the community by the leadership of a governing board that carefully represents the community, and mindful programming and partnerships that reflect our mission to be "good help to those in need " BSSFHS provides dedicated staff and the following services to promote the holistic needs of the community Access to Care and Education The BSSFHS Oral Health Services program provides access to oral health care through integrated service partnerships between businesses, funding agencies, a dental hygiene training program, and a college of dentistry In addition to this unique comprehensive program, the St Francis Mobile Dental Unit provides the opportunity to reach remote portions of the county and populations that face multiple barriers to care , including transportation Our BSSFHS presence at the Greenville Free Medical Clinic ensure that a range of comprehensive oral health services are available in the community on a sliding fee scale or at no cost for the underserved During Fiscal Year 2011-12, the BSSFHS Oral Health Services program was able to conduct 6,374 oral health education, dental screenings and dental restorations to low income adults and children Since 2006, the BSSFHS Oral Health Services program has served over 17,274 residents We continue to grow in the areas of restorative care services, community partner development, and new site expansion to reach additional populations with critical oral health needs The Community Health Outreach Program partners with our community to provide community-based health care and social services in the community setting that engage and empower those experiencing the harsh impact of poverty With the support of collaborative community partnerships, three nurses and two social workers provide health education, community advocacy, assistance with access to health care Education related to disease prevention and management are provided through group presentations, distribution of written materials, and screenings The staff is committed to addressing health care disparities in the community, and educating the community-at-large on the harsh impacts of poverty on health through education on disease prevention and management Through this model of care, outcomes include increased and improved client-physician relationships, decreased inappropriate use of emergency department with increased appropriate use of primary and specialty care, and improved health of the community Care for Families and Children Through a partnership with the Greenville County School District, BSSFHS offers training for teachers and 200 page self-care book for families, as part of the program "A Healthy You " Eligibility standards for families only include having a child in the 4K program in Greenville County, a program dedicated to children who demonstrate a developmental delay or experience financial limitations These books are purchased from the American Institute of Preventive Medicine (Health at Home), and explain common medical issues and provides a decision tree for how to care for conditions at home, and how and when to seek appropriate medical care In 2011-2012, this health literacy project documented a six-month follow-up study concluding that 48% of families surveyed were able to avoid one or more visits to the doctor in the past 6 months because of the Health at Home book In addition, 63% of families specified that Health at Home books helped them decide when to see a doctor, and 55% of families thought that the Health at Home books saved them money on medical or health care in the past 6 months Another way BSSFHS reaches out to families is through financial support for case management of children's services through Communities in Schools (CIS) CIS works to improve services among high-risk children in Greenville County, and works with seven Title I schools in Greenville County (a school is considered Title I when over 60% of students are eligible for free and reduced lunch) The CIS program works directly with school nurses and additional school staff to identify health-related problems of students and determine the barriers to receiving care Services provided by CIS staff include coordinating the child's health care appointments, accompanying the child to the appointment, age appropriate education during visits and follow-up with the child's family Particular attention is paid to the parent, child, and staff relationship BSSFHS financially supports the Bilingual Support and Hispanic Outreach program administered by CDS, the Center for Developmental Services (CDS) is a local organization that ensures children with special developmental needs and th</p>

Identifier	ReturnReference	Explanation
		eir families are linked with appropriate interventions. On average, 50 Hispanic families a month receive translation services at CDS because of BSSFHS's involvement. Additionally, BSSFHS unveiled a new, state-of-the-art bilingual kiosk in the CDS waiting area. This kiosk links Spanish speaking families to on-line health resources and information that might not otherwise be available in Spanish. On average, 75 health-related sites are visited each month by families using CDS services. The kiosk also offers Spanish-language take-home health materials and a telephone available that immediately links the person to United Way's 211 system, Greenville County's comprehensive source for community health and human service assistance.

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 6 Bon Secours Health System, Inc , a Maryland nonprofit, nonstock membership corporation (BSHSI), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc , a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System BSI, which is the sole corporate member of BSHSI, has no healthcare operations The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris, a congregation of religious women of the Roman Catholic Church founded in France in 1824 The System's activities are in the states of New York, Pennsylvania, Maryland, Virginia, Kentucky, South Carolina, and Florida, each referred to as a local system The Ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering services that include but are not limited to acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, or disability BSHSI's vision to bring about the holistic health of the communities it serves is implemented through its Strategic Quality Plan which provides focus in four goal areas for the current three year period (2010-2012) One of those goals is to partner with communities to co-create a more humane world, improve health and model social justice To accomplish this, two key strategies are to - Engage communities to identify needs and assets and building partnerships to improve health and quality of life of a specific population - Demonstrate sustainable stewardship for healing the earth as a way to improve health and life quality As a member of the Catholic health ministry and BSHSI, Bon Secours St Francis Health System, Inc (BSSFHS) is called to live the teachings and promises of Jesus The community benefit services provided by BSSFHS include programs and partnership working to improve access to health care and the quality of life and holistic health of the communities served BSSFHS exists to benefit the people living in the communities it serves Through all of the services offered to the community, the mission is "to bring compassion to health care and to be good help to those in need, especially those who are poor and dying As a System of caregivers, we commit ourselves to help bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church" BSSFHS shares the BSHSI Vision "Inspired by the healing ministry of Jesus Christ and the charism of Bon Secours, Bon Secours Health System will be recognized for its leadership in justice, transforming the communities in which we serve and work into places of health and hope, and being a prophetic voice for systemic US health reform and a more humane world"</p>

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	SC

Additional Data

Software ID:
Software Version:
EIN: 58-2504530
Name: SFH Inc

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

[illegible]

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

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size from largest to smallest)	
How many non-hospital facilities did the organization operate during the tax year? <u>22</u>	
Name and address	Type of Facility (Describe)
St Francis Outpatient Center 3 St Francis Drive Floor 12 Greenville, SC 29601	Outpatient services
St Francis Outpatient Center 3 St Francis Drive Floor 12 Greenville, SC 29601	Outpatient services

OMB No 1545-0047

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

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Part I General Information on Grants and 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

2	Enter total number of section 501(c)(3) and government organizations listed in the line 1 table	<u>1</u>
3	Enter total number of other organizations listed in the line 1 table	0

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

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

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

Identifier	Return Reference	Explanation
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Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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.

Name of the organization

SFH Inc

Employer identification number

58-2504530

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate 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		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div></div> <div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div></div> <div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div></div> <div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision 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		
	<div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div></div> <div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Compensation survey or study</div></div> <div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div>		
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 accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Jeff Oak	(i)	0	0	0	0	0	0	0
	(ii)	324,792	0	22,766	48,902	33,220	429,680	0
(2) Thomas Morris PhD	(i)	0	0	0	0	0	0	0
	(ii)	277,485	0	26,035	49,847	17,668	371,035	0
(3) Mark Nantz	(i)	0	0	0	0	0	0	0
	(ii)	487,395	69,645	23,091	80,079	27,896	688,106	0
(4) Ronnie Hyatt	(i)	337,791	36,648	4,494	13,226	23,079	415,238	0
	(ii)	0	0	0	0	0	0	0
(5) Daniel Duggan	(i)	0	0	0	0	0	0	0
	(ii)	306,712	34,835	226,695	22,741	24,564	615,547	0
(6) Teresa Ficicchy	(i)	240,278	26,736	14,034	9,649	14,303	305,000	0
	(ii)	0	0	0	0	0	0	0
(7) Patricia Fowler	(i)	177,757	15,342	2,640	37,280	12,242	245,261	0
	(ii)	0	0	0	0	0	0	0
(8) Johnna Reed	(i)	189,720	16,299	21,467	16,128	11,998	255,612	0
	(ii)	0	0	0	0	0	0	0
(9) Nancy Graebner	(i)	0	0	0	0	0	0	0
	(ii)	274,675	31,329	2,643	11,307	24,853	344,807	0
(10) Mark A Klapperich	(i)	0	0	0	0	0	0	0
	(ii)	232,102	2,328	502	6,721	30,547	272,200	0
(11) Frank C Smeeks	(i)	0	0	0	0	0	0	0
	(ii)	190,753	13,172	38,664	2,827	16,527	261,943	0
(12) Suzanne Turner	(i)	0	0	0	0	0	0	0
	(ii)	202,512	2,114	488	4,148	36,272	245,534	0
(13) Jerome J Weems Jr	(i)	0	0	0	0	0	0	0
	(ii)	209,728	54,847	2,132	9,246	6,383	282,336	0
(14) Lisa Slayton	(i)	39,904	0	203,289	0	5,711	248,904	35,635
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Supplemental Information	Part III	Part I, Lines 4a Bon Secours Health System, Inc. has system wide severance policies for various levels of executive management. Executive positions throughout the system may include, but are not limited to, CEO/President, CFO, COO, EVP, SVP, VP and Directors. Severance periods vary based on length of service, subsequent employment and violations of the severance policy. Generally, severance periods can be up to 24 months. Benefits may include, but are not limited to, base salary, certain health benefits and payment of unused vacation. The following individual(s) received severance payments during the applicable calendar year: Lisa Slayton, \$153,094. Part I, Lines 4b The filing organization participates in a BSHSI sponsored executive retirement program that allows for deposits into additional retirement plans and available only to key employees. The 457F plan is a non-qualified plan and is subject to a minimum three-year service requirement before vesting on deposits made into this plan. The following individuals that received a distribution include: Lisa Slayton, \$36,005.
Supplemental Information	Part III	Part I, Line 3 Bon Secours Health System, Inc., a related organization of SFH, Inc., uses the following to establish the compensation of the organization's CEO/Executive Director: Compensation Committee; Independent Compensation Consultant; Written Employment Contract; Compensation Survey or Study; Approval by the Board or Compensation Committee.

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization
SFH Inc

Employer identification number
58-2504530

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?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total ▶ \$										

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Katie Hertwig	Daughter-in-law of BM Camilla Hertwig	155,401	Employment		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 SFH Inc	Employer identification number 58-2504530
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Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Bon Secours Health System, Inc is the sole member of Bon Secours St Francis Health System, Inc , w hich in turn is the sole member of SFH, Inc

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	The governing body of SFH, Inc. is appointed by its member Bon Secours St. Francis Health System, Inc. and subject to approval by Bon Secours Health System, Inc.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	Certain authorities of SFH, Inc are reserved to its member or to Bon Secours Health System, Inc

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	The process the organization uses to review the Form 990 consists of a review by the local system's audit and compliance board-committee and providing the form to the local system board of directors to allow for a thorough review by both before the filing date. The local system's audit and compliance committee and board of directors have reviewed the Form 990, scheduled time on meeting agendas, and asked questions regarding the Form 990 before the return is filed.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors compliance with the conflict of interest policy. On an annual basis, all persons subject to the policy, including all officers, directors and key employees are required to make certain disclosures. These include disclosures related to certain personal, financial and organizational relationships that may present a conflict, or the appearance of a conflict of interest with the organization. All disclosures go through a three-part review process: (1) disclosures are reviewed first by the corporate responsibility officer (CRO), (2) a governance team comprised of the CEO, board president, board chair, CRO, and the BSHSI CRO participate in a second review of all disclosures during which recommendations are made as to the resolution of any conflicts or potential conflicts. Depending on the facts and circumstances, resolutions may include ongoing disclosure, recusal or removal of the conflict, and (3) all disclosures and recommendations are reviewed by a board committee (audit and compliance committee reviews the disclosures of management and the governance committee reviews the disclosures of the board and board committee members).

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	<p>The compensation committee of the board of Bon Secours Health System, Inc. (BSHSI) engages in a comprehensive process for the oversight and management of remuneration for executive employees and disqualified parties of the BSHSI. The compensation committee consists of a group of independent board members and engages independent external compensation consultants to ensure they receive appropriate analysis of market and follow the practices necessary to obtain full compliance with the IRS's rebuttable presumption of reasonableness. The committee establishes and maintains a compensation philosophy, reviews pay practices against local, regional and national healthcare organizations and approves all remunerative decisions for this group of individuals. The committee reviews and receives assurances that all levels of pay within the organization are reasonable based on performance and validates incentives are met. These decisions are documented in the BSHSI board of directors and compensation committee minutes. Form 990, Part VI, Section B, Line 15b - Compensation Process Other Officers/ Key Employees. For those key employees and highest paid employees that are not reviewed by the BSHSI compensation committee, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision. In the review, the other officers or key employees of the organization were compared to other hospitals' employees in the area that hold the same title. During the review and approval of the compensation, documentation of the decision was recorded in human resources.</p>

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	SFH, Inc provides any documents open to public inspection upon request

Identifier	Return Reference	Explanation
	Form 990, Part VII	Hours worked are not tracked on an entity by entity basis. All officer's and director's hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors represent aggregate hours worked per week. Volunteer Board Members are not compensated for their time. Mark Nantz's compensation is paid by Bon Secours Health System, Inc., a related organization. The compensation he receives is for his role as the CEO of Bon Secours St. Francis Health System, which includes direct management, monitoring and oversight of Bon Secours St. Francis Health System and its related organizations. Jeff Oak's compensation is paid by Bon Secours Health System, Inc., a related organization. The compensation he receives is for his role as the Chief Corporate Responsibility and Development Officer of Bon Secours Health System, Inc. Thom Morris's compensation is from Bon Secours Health System, Inc., a related organization. The compensation he receives is for the role as an SVP of Sponsorship at Bon Secours Health System, Inc. Daniel Duggan's compensation is from Bon Secours Health System, Inc., a related organization. The compensation he receives is for the role as an EVP/COO at Bon Secours St. Francis Health System.

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 787,736 Transfers to HSO for principal and sw ap - 6,283,525 Distributions from JV 269,338 Total to Form 990, Part XI, Line 5 -5,226,451

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SFH Inc

Employer identification number
58-2504530

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Physicians' Surgery Center at St Francis LLC One St Francis Drive Greenville, SC 29601	No Activity	SC	0	0	SFH Inc

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) Bon Secours Health System Inc 1505 Marriottsville Road Marriottsville, MD 21104 52-1301088	Parent Org - Management Services	MD	501(c)(3)	11b	Bon Secours Inc		No
(2) Bon Secours St Francis Health System Inc 1 St Francis Drive Greenville, SC 296013955 58-2504528	Local System Parent Org	SC	501(c)(3)	11b	Bon Secours Health System Inc		No
(3) St Francis Hospital Foundation Inc 1 St Francis Drive Greenville, SC 296013955 26-0012031	Grant Making Foundation	SC	501(c)(3)	7	St Francis Hospital Inc	Yes	
(4) St Francis Physician Services 1 St Francis Drive Greenville, SC 296013955 13-4290167	Physician Services	SC	501(c)(3)	11a	Bon Secours St Francis Health System Inc		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?		(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	
(1) Upstate Surgery Center 1 St Francis Drive Greenville, SC 296013955 56-2186977	Ambulatory Surgery Center	SC	St Francis Hospital Inc	Related	451,084	887,595		No			No	58.090 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Health Care Enterprises Inc 1 St Francis Drive Greenville, SC 296013955 57-1012852	Holding Company	SC	St Francis Health System Inc	C			

Part V

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

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

1 During the tax year, did the organization 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

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

i Lease of facilities, equipment, or other assets to related organization(s)

j Lease of facilities, equipment, or other assets from related organization(s)

k Performance of services or membership or fundraising solicitations for related organization(s)

l Performance of services or membership or fundraising solicitations by related organization(s)

m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

q Other transfer of cash or property to related organization(s)

r Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

Yes

No

Yes

Yes

No

No

Yes

Yes

Yes

Yes

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) St Francis Hospital Foundation Inc	B	837,228	Actual
(2) St Francis Hospital Foundation Inc	C	3,079,041	Actual
(3) Upstate Surgery Center	K	90,996	Cost
(4) Upstate Surgery Center	R	269,337	Actual
(5)			
(6)			

Schedule R (Form 990) 2011

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.

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements and Consolidating Schedules

August 31, 2012 and 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
Bon Secours Health System, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Bon Secours Health System, Inc. and Subsidiaries (the System) as of August 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated 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 the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bon Secours Health System, Inc. and Subsidiaries as of August 31, 2012 and 2011, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 30, 2012

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Balance Sheets

August 31, 2012 and 2011

(In thousands)

Assets	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 138,781	159,635
Accounts receivable, net		
Patient and third-party payors	394,359	385,296
Other	48,683	37,319
Total accounts receivable, net	443,042	422,615
Assets limited or restricted as to use	61,336	78,893
Inventories	56,853	54,628
Prepaid expenses and other current assets	29,562	18,134
Total current assets	729,574	733,905
Assets limited or restricted as to use, less current portion	950,128	869,845
Property, plant, and equipment, net	1,096,481	1,085,226
Goodwill and other assets, net	303,793	292,579
Total assets	<u>\$ 3,079,976</u>	<u>2,981,555</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	\$ 27,810	61,023
Accounts payable	182,458	182,491
Accrued salaries, wages, and benefits	127,413	158,424
Other accrued expenses	122,858	107,679
Total current liabilities	460,539	509,617
Long-term debt, less current portion	1,019,800	1,014,319
Other long-term liabilities and deferred credits	756,121	606,582
Total liabilities	2,236,460	2,130,518
Net assets		
Unrestricted-controlling interest	608,843	638,462
Unrestricted-noncontrolling interest	180,780	164,810
Total unrestricted	789,623	803,272
Temporarily restricted	45,849	40,911
Permanently restricted	8,044	6,854
Total net assets	<u>843,516</u>	<u>851,037</u>
	<u>\$ 3,079,976</u>	<u>2,981,555</u>

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended August 31, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Revenues		
Net patient service revenue	\$ 3,330,158	3,166,054
Other revenue	118,344	142,821
Total revenues	<u>3,448,502</u>	<u>3,308,875</u>
Expenses		
Salaries, wages, and benefits	1,618,264	1,540,009
Supplies	559,808	539,578
Purchased services and other	738,876	747,024
Provision for bad debts	242,587	235,887
Depreciation and amortization	128,614	119,801
Interest	42,358	41,099
Total expenses	<u>3,330,507</u>	<u>3,223,398</u>
Operating income from continuing operations	117,995	85,477
Nonoperating gains (losses), net		
Nonoperating investment gains, net	33,032	65,518
Loss on early retirement of debt	(602)	(1,172)
Gain on sale of assets, net	2,836	967
Other nonoperating activities, net	(41,220)	(35,591)
Excess of continuing revenues over expenses	112,041	115,199
Gain on discontinued operations, net	2,872	—
Excess of revenues over expenses	114,913	115,199
Other changes in unrestricted net assets		
Net change in unrealized gains on other-than-trading securities	438	1,563
Grants for capital	5,235	—
Net assets released from restrictions used for purchase of property, plant, and equipment	3,537	3,661
Transfers to affiliates and other changes, net	(4,063)	(7,132)
Net change in equity of joint ventures	3,301	3,060
Distributions to noncontrolling interest owners	(7,042)	(5,080)
Pension and other postretirement adjustments	(129,968)	46,882
(Decrease) increase in unrestricted net assets	(13,649)	158,153
Unrestricted net assets, beginning of year	803,272	645,119
Unrestricted net assets, end of year	<u>\$ 789,623</u>	<u>803,272</u>

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets

Years ended August 31, 2012 and 2011

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at August 31, 2010	\$ 645,119	33,381	6,755	685,255
Excess of revenues over expenses	115,199	—	—	115,199
Grants and restricted contributions	—	13,897	118	14,015
Net change in unrealized gains on other-than-trading securities	1,563	398	—	1,961
Investment income	—	129	—	129
Net assets released from restrictions used for purchase of property, plant, and equipment	3,661	(3,661)	—	—
Net assets released from restrictions used for operations	—	(3,136)	—	(3,136)
Net change in equity of joint ventures	3,060	—	—	3,060
Distributions to noncontrolling interest owners	(5,080)	—	—	(5,080)
Pension and other postretirement adjustments	46,882	—	—	46,882
Transfers to affiliates and other changes, net	(7,132)	(97)	(19)	(7,248)
Increase in net assets	<u>158,153</u>	<u>7,530</u>	<u>99</u>	<u>165,782</u>
Balance at August 31, 2011	<u>803,272</u>	<u>40,911</u>	<u>6,854</u>	<u>851,037</u>
Excess of revenues over expenses	114,913	—	—	114,913
Grants and restricted contributions	—	16,791	1,214	18,005
Grants for capital	5,235	—	—	5,235
Net change in unrealized gains on other-than-trading securities	438	290	—	728
Investment income	—	140	—	140
Net assets released from restrictions used for purchase of property, plant, and equipment	3,537	(3,537)	—	—
Net assets released from restrictions used for operations	—	(8,557)	(19)	(8,576)
Net change in equity of joint ventures	3,301	—	—	3,301
Distributions to noncontrolling interest owners	(7,042)	—	—	(7,042)
Pension and other postretirement adjustments	(129,968)	—	—	(129,968)
Transfers to affiliates and other changes, net	(4,063)	(189)	(5)	(4,257)
(Decrease) increase in net assets	<u>(13,649)</u>	<u>4,938</u>	<u>1,190</u>	<u>(7,521)</u>
Balance at August 31, 2012	<u>\$ 789,623</u>	<u>45,849</u>	<u>8,044</u>	<u>843,516</u>

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended August 31, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (7,521)	165,782
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Gain on discontinued operations, net	(2,872)	—
Provision for bad debts	242,587	235,887
Depreciation and amortization, including \$5,699 and \$2,154 reported in nonoperating activities, net in 2012 and 2011, respectively	134,313	121,955
Amortization of deferred financing costs and bond discount, net	2,043	2,537
Equity in income of joint ventures	(27,261)	(32,649)
Distributions received from investments in joint ventures	25,197	25,429
Net realized unrealized gains on certain investments and derivative instruments	(28,263)	(59,108)
Loss on early retirement of debt	602	1,172
Gain on sale of assets	(2,836)	(967)
Gain on sale of service line	—	(30,000)
Pension and other postretirement adjustments	129,968	(46,882)
Grants received for capital expenditures	(5,235)	—
Contributions restricted by donor	(18,005)	(14,015)
Cash distributions to noncontrolling interest owners	7,042	5,080
Cash (used in) provided by changes in assets and liabilities		
Increase in accounts receivable	(263,014)	(294,957)
Increase in inventories, prepaid expenses and other current assets	(13,653)	(1,978)
Increase in goodwill and other assets, net	(8,086)	(7,038)
(Decrease) increase in accounts payable and other current liabilities	(13,465)	24,929
Increase in other long-term liabilities and deferred credits	13,965	60,922
Net cash provided by operating activities	<u>165,506</u>	<u>156,099</u>
Cash flows from investing activities		
Investment in joint ventures	(4,666)	(21,511)
Proceeds from sale of joint venture	—	10,700
Purchases of securities, net of sales and maturities	(12,853)	(25,606)
Property, plant, and equipment additions, net of disposals	(143,976)	(131,364)
Proceeds from sale of assets	2,349	6,425
Proceeds from sale of service line	—	30,000
Cash paid for acquisitions	—	(8,891)
Payments related to interest rate swaps	(15,432)	(57,405)
Net cash used in investing activities	<u>(174,578)</u>	<u>(197,652)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	72,460	214,095
Payments of long-term debt	(28,324)	(25,971)
Retirements of long-term debt	(70,880)	(173,355)
Payment of deferred financing fees	(1,236)	(2,771)
Grants received for capital expenditures	5,235	—
Proceeds from contributions restricted by donors	18,005	14,015
Cash distributions to noncontrolling interest owners	(7,042)	(5,080)
Net cash (used in) provided by financing activities	<u>(11,782)</u>	<u>20,933</u>
Net decrease in cash and cash equivalents	<u>(20,854)</u>	<u>(20,620)</u>
Cash and cash equivalents, beginning of year	<u>159,635</u>	<u>180,255</u>
Cash and cash equivalents, end of year	<u>\$ 138,781</u>	<u>159,635</u>

Supplemental disclosures

(a) Cash paid for taxes was \$892 and \$517 for 2012 and 2011, respectively

See accompanying notes to consolidated financial statements

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(1) Organization and Mission

(a) *Organizational Structure*

Bon Secours Health System, Inc., a Maryland nonprofit, nonstock membership corporation (BSHSI), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc., a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System. BSI, which is the sole corporate member of BSHSI, has no healthcare operations. The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris (*Sisters of Bon Secours*), a congregation of religious women of the Roman Catholic Church founded in France in 1824.

The Sisters of Bon Secours have ministered to the healthcare needs of people in the United States since 1881. To ensure the sustainability of the ministry into the future as well as to broaden their collaboration with the laity in areas of influence, the Sisters of Bon Secours petitioned the Vatican to establish Bon Secours Ministries, an entity comprised of both laypersons and Sisters of Bon Secours to oversee the Catholic healthcare ministry of BSHSI. Bon Secours Ministries, which is referred to as a "public juridic person" in the Catholic Church's *Code of Canon Law*, was established by the Vatican on May 31, 2006 with the specific responsibility to oversee (and, as appropriate, initiate) the healthcare ministries within the System and, in particular, BSHSI's Catholic identity and mission. This formal relationship with the Catholic Church and the specific ministry is commonly referred to as "sponsorship." The Sisters of Bon Secours formally transferred the responsibility of sponsorship of the System to Bon Secours Ministries on November 1, 2006. Since then, Bon Secours Ministries has provided an active presence of leadership and direction for BSHSI to ensure its operations and use of resources are aligned with the mission, values and fundamentals of Catholic social teaching.

The System's principal activities comprise health and nursing care services in the states of New York, Maryland, Virginia, Kentucky, South Carolina, and Florida.

(b) *Mission*

The Mission of the System is to bring compassion to healthcare and to be good help to those in need, especially those who are poor and dying. As a system of caregivers, the System is committed to helping to bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church.

The ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering a wide variety of services, including acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living, in Florida, Kentucky, Maryland, New York, South Carolina, and Virginia without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, or disability. Activities directly associated with this purpose are considered operating activities. Operating activities also include other incidental services that are closely related to healthcare.

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(c) Community Benefits

The System exists to benefit the people in the communities it serves. In pursuing its mission, the System advocates for and provides services to help meet healthcare and related socioeconomic needs of poor and disadvantaged individuals and the broader community. The System provides services in the communities served by holistically ministering to its patients with respect and without regard to their ability to pay.

Programs and services for the uninsured and underinsured represent the financial commitment of the System to everyone in the community. The System's financial assistance policy ensures that all members of the community receive this basic human right to access healthcare.

The categories included as programs and services for the poor and disadvantaged are as follows:

(i) Charitable Services – Financially Disadvantaged Persons

The System provides care to patients regardless of their ability to pay for all or a portion of the charges incurred. This care is classified as charity care based upon the System's established policies. In accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the organization's criteria for financial assistance.

In assessing a patient's ability to pay, the System utilizes generally recognized poverty income levels, financially supporting 100% of the healthcare services provided to patients with annual family income at or below 200% of the federal poverty guidelines. Additional assistance is provided by a reduction in charges for medically necessary services through a community service adjustment.

(ii) Charitable Services – State Programs

The System provides services to indigent patients under various state programs, including state Medicaid, that generally pay healthcare providers amounts that are less than the cost of the services provided to the recipients. Unreimbursed costs of the care provided to these disadvantaged patients are also reported as charitable services.

(iii) Other Community Benefits

Other community benefits include community services for the poor and disadvantaged as well as the broader community. The programs cover a broad spectrum of services and are financially supported by the System.

- Primary Care access – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles.
- Health Screenings and Immunizations – provision of free health screenings and immunizations for a variety of health conditions for women, children, and senior residents.

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

- Child programs – providing oral healthcare, asthma and childhood obesity interventions.
- Caregiver and senior programs – focused on support, health screenings, and services to assist older adult populations.
- Education – providing medical and other health professional programs.
- Leadership activities – a full-time healthy community leader is provided in each community served who works to expand community capacity, identify community health needs and address social health conditions

The cost of charitable services and community benefits provided by the System is determined in accordance with the System's accounting policies. These costs are computed by using the cost to charge ratio applied by Medicaid and other state programs as well as specific patient visits identified under the System's charity care policies. The cost of these services is as follows for the years ended August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Charitable services and other community benefits		
Cost of services to financially disadvantaged persons	\$ 143,575	125,996
Unpaid cost of state programs (e.g., Medicaid) to financially disadvantaged persons	94,634	84,216
Cost of other community benefits	59,410	57,533
Total community benefits, at cost	<u>\$ 297,619</u>	<u>267,745</u>

(2) Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all members of the corporate group controlled by BSHSI. Members of the corporate group include all entities that BSHSI directly or indirectly controls, even if the System has less than 50% of the ownership or membership interest in the entity. Investments in entities where the System holds 50% or less of an entity's operations and does not have operational control are recorded under the equity or cost method of accounting. The System has included its equity share of income or losses and changes in net assets from investments in unconsolidated affiliates in other revenue and changes in unrestricted net assets, respectively, in the accompanying consolidated statements of operations. All material intercompany transactions and account balances have been eliminated in consolidation.

(b) Use of Estimates

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

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

In the years ended August 31, 2012 and 2011, the System recorded income of \$9.456 and \$16.623, respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities

(c) Cash and Cash Equivalents

For purposes of the consolidated financial statements, cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less, excluding investments limited or restricted as to use

(d) Accounts Receivable

Accounts receivable is presented net of allowances for uncollectible amounts of \$189,567 and \$163,100 at August 31, 2012 and 2011, respectively. The System grants credits to patients and generally does not require collateral or other security. However, it routinely obtains assignment of patients' benefits under their health insurance policies. Most of the System's net patient service revenue is derived from third-party payment programs. Medicare, Medicaid, and Blue Cross comprise approximately half of the System's consolidated third-party payor revenue.

The respective percentages of amounts due from patients and third-party payors at August 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Medicare	24%	24%
Medicaid	9	10
Managed care	45	40
Other, including self-pay	22	26
	<u>100%</u>	<u>100%</u>

(e) Assets Limited or Restricted as to Use and Investment Income

Assets limited or restricted as to use include assets held by trustees under indentures, self-insurance trust arrangements, assets related to donor-restricted net assets, and assets designated by the board of directors over which it retains control and may, at its discretion, use for other purposes. The fair value of investments, with the exception of alternative investments, is based upon quoted market prices or other observable market inputs. The System elected to fair value its investments in its equity and fixed income commingled funds. Alternative investments are recorded under the equity method.

Unrealized gains or losses on trading securities are included in nonoperating investment gains, net. As of August 31, 2012 and 2011, all investments and assets limited or restricted as to use are designated as trading securities, except for certain Foundation investments.

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

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Investment income on donor-restricted funds is recorded as an addition to donor-restricted net assets provided the income has been restricted by the donor. Investment income on trustee-held funds, professional/general liability, workers' compensation, and health benefit self-insurance funds is reported in other revenue for the years ended August 31, 2012 and 2011, respectively. All other investment income is reported within nonoperating investment gains, net.

(f) Inventories

Inventories, consisting primarily of pharmaceuticals and medical supplies, are stated at the lower of cost or market, principally on a first-in, first-out basis.

(g) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at fair value on the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Estimated useful lives of the assets are as follows:

Buildings	20 to 50 years
Fixed equipment	10 to 20 years
Major movable equipment	3 to 5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. The System capitalizes the direct costs, including internal costs, associated with the implementation of new information systems for internal use. Capitalized amounts are amortized over the estimated lives of the software, which generally are five years.

(h) Asset Impairment

The System regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of the Accounting Standards Codification (ASC) Topic 360-10, *Impairment or Disposal of Long-Lived Assets*, if events or changes in circumstances indicate that the carrying value of an asset is not recoverable, the System's management estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual facilities to determine if an impairment loss should be

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recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the System groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charges were recorded during the years ended August 31, 2012 and 2011, respectively.

(i) Goodwill and Other Assets, Net

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. ASC Topic 350, *Intangibles – Goodwill and Other*, requires that tangible and indefinite-lived assets, as well as Goodwill, must be analyzed in order to determine whether their value has been impaired.

In conjunction with the implementation of the provisions of ASC 350, effective September 1, 2010, the System no longer amortizes goodwill, but tests the carrying value annually for impairment. Pursuant to ASC 350, the System determined that it had one reporting unit, which is the aggregate of all of the System's entities, and performed an initial impairment test as of September 1, 2010. To accomplish this, the System determined the carrying value of such reporting unit by assigning the assets and liabilities, including the existing goodwill, to the reporting unit. The System estimated the fair value of this reporting unit based on a discounted cash flow analysis as well as using standard industry valuation techniques and concluded that goodwill was not impaired as of September 1, 2010. In addition, goodwill was evaluated as of August 31, 2012 and 2011 with no impairment charges recorded.

Total goodwill recognized on acquisitions, less accumulated amortization, was \$98,359 as of August 31, 2012 and 2011, respectively, and is included in goodwill and other assets, net. Accumulated amortization of goodwill amounted to \$50,890 at August 31, 2012 and 2011.

Goodwill and other assets, net, consist of the following at August 31, 2012 and 2011:

	2012	2011
Goodwill, net of accumulated amortization	\$ 98,359	98,359
Investment in joint venture (note 11)	116,918	113,059
Self insurance receivable	33,766	33,451
Other assets	24,957	19,194
Pledges and notes receivable	18,924	15,722
Deferred financing costs, net	10,869	12,794
Total goodwill and other assets, net	<u>\$ 303,793</u>	<u>292,579</u>

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(j) *Deferred Financing Costs, Net*

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included in other assets. These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization of long-term debt issuance costs amounted to \$7.831 and \$7.966 at August 31, 2012 and 2011, respectively.

(k) *Leases*

Lease arrangements, including assets under construction, are capitalized when such leases convey substantially all the risks and benefits incidental to ownership. Capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to capital leases is included in the consolidated statements of operations within depreciation and amortization expense.

(l) *Other Long-Term Liabilities and Deferred Credits*

Other long-term liabilities and deferred credits consist of the following at August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Accrued pension liability (note 9)	\$ 446,538	310,567
Self-insurance liabilities	131,544	118,861
Environmental liabilities	14,176	13,967
Derivative instrument valuations (note 7)	94,260	88,081
Medical office building liabilities (note 13(e))	35,321	44,460
Other long-term liabilities	34,282	30,646
	<u>\$ 756,121</u>	<u>606,582</u>

(m) *Donor-Restricted Gifts*

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of operations as net assets released from restrictions. Such amounts are classified as other revenue or transfers for additions to property, plant, and equipment. Donor-restricted contributions whose restrictions are satisfied within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

(n) *Net Assets*

The System classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Temporarily restricted net assets are subject to

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donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Temporarily restricted net assets of \$45,849 and \$40,911 at August 31, 2012 and 2011, respectively, primarily consisted of pledges and funds received for capital projects, various healthcare programs, and community outreach programs. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes.

(o) Fair Values

The carrying values of financial instruments classified as current assets and current liabilities approximate fair values. The fair values of investments and assets limited or restricted as to use, with the exception of alternative investments, are based on quoted market prices or other observable inputs. Alternative investments are recorded under the equity method. The System elected to record its investments in equity and fixed income commingled funds at fair value. See note 4 for additional disclosures of investments and assets limited or restricted as to use. The carrying values of other long-term liabilities approximate fair values. See note 6 for the fair value of long-term debt.

(p) Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

(q) Other Revenue

Other revenue includes income from Equity investments in joint ventures, gains on sales of operating activities, grant revenues (including Meaningful Use-Health Information Technology for Economic and Clinical Health Act (HITECH) Stimulus Grants), assisted living, and cafeteria and meal sales. The System, using the grant model for Meaningful Use incentive payments, recorded approximately \$18,900 and \$13,300 of revenues related to Medicare's and Medicaid's incentive payments for certain entities meeting the criteria for electronic health records during the years ended August 31, 2012 and 2011, respectively, (see note 10).

(r) Nonoperating Activities, Net

Other activities, which are largely unrelated to the System's primary mission, are recorded as other nonoperating gains (losses), include rental activities of medical office buildings, school of nursing, general donations, and fund-raising activities.

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(s) *Performance Indicator*

The accompanying consolidated statements of operations include a performance indicator, excess of continuing revenues over expenses. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include discontinued operations, unrealized gains on other-than-trading securities, permanent transfers of assets to and from unconsolidated affiliates for other than goods and services, pension and other postretirement adjustments, the System's allocated share of joint ventures' change in equity, distributions to noncontrolling interest owners and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets)

(t) *Discontinued Operations*

The System accounts for discontinued operations under relevant accounting guidance, which requires that a component of an entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component of an entity has been disposed of or classified as held-for-sale, the results of operations for prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations. The System recognized gains on discontinued operations of \$2,872 for the year ended August 31, 2012 as the result of adjustments to certain liabilities in excess of final settlements associated with the System's formerly discontinued operations (none in 2011)

(u) *Income Taxes*

The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740. Income taxes of the System's for-profit subsidiaries are not material to the accompanying consolidated financial statements. The System's taxable subsidiaries have approximately \$95,733 and \$89,500 of net operating loss carryforwards as of August 31, 2012 and 2011, respectively, which expire in varying periods through 2032 and are available to offset future taxable income. The System's deferred tax assets are fully reserved at August 31, 2012 and 2011. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

(v) *Derivative Instruments*

ASC Topic 815, *Derivatives and Hedging*, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. An entity is required to recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. In addition, for those derivative instruments that meet the criteria of an effective hedge, the hedged item must also be recorded at its fair value, with the changes in fair value reflected in other changes in unrestricted net assets.

Derivative instruments, specifically interest rate swaps, are recorded on the balance sheets at their respective fair values. The System's current derivative instruments do not qualify for hedge

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accounting, and the changes in fair value of such derivative instruments are reflected in nonoperating investment gains, net in the accompanying consolidated statements of operations in the period of change. Net settlement payments made or received on nonqualifying derivatives are recorded as nonoperating investment losses, net.

(iv) Self-Insurance

Under the System's self-insurance programs (professional/general liability, workers' compensation, and employee health benefits), claims are reflected as based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. BSHSI shares certain insurance risks it has underwritten through the use of reinsurance contracts. Amounts that can be claimed from BSHSI's reinsurers are valued by an independent actuary and are included in the accrued claims including liabilities for incidents incurred but not reported. Should BSHSI's reinsurers be unable to reimburse BSHSI for recoverable claims, BSHSI would still be liable to pay the claims, however, BSHSI contracts with various highly rated insurance carriers to mitigate this risk.

(x) Recently Issued Accounting Pronouncements

- (i) In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*. ASU No. 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU No. 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct or indirect cost of providing the charity care, and requires disclosure of the method used to identify or determine such costs. The System adopted this guidance on September 1, 2011. (See note 1(c) for details).
- (ii) In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. ASU No. 2010-24 is intended to address current diversity in practice to the accounting by healthcare entities for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries. Most healthcare entities have netted anticipated insurance recoveries against the related accrued liability, although some entities have presented the anticipated insurance recovery and related liability on a gross basis. The existing guidance does not permit offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. This update clarifies that a healthcare entity should not net insurance recoveries against related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The System adopted this guidance on September 1, 2011. The adoption of ASU No. 2010-24 did not have an impact on the consolidated financial statements.
- (iii) In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires a healthcare entity to change the presentation of their statement of operations by reclassifying the provision

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for bad debts associated with patients service revenue from an operating expense to a deduction from patients service revenue (net of contractual allowances and discounts). Additionally, enhanced disclosures about an entity's policies for recognizing revenue, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required. The adoption of ASU 2011-07 is effective for the System beginning September 1, 2012.

- (iv) In September 2011, the FASB issued ASU No. 2011-09, *Disclosures about an Employer's Participation in a Multiemployer Plan*. The guidance is intended to provide financial statement users with greater transparency about an employer's participation in a multiemployer pension plan. The guidance requires additional qualitative and quantitative information disclosures to assist users of the consolidated financial statements in understanding the commitments and risks involved in participating in multiemployer pension plans, including the financial health of all of the significant plans in which the employer participates. This ASU does not change the current recognition and measurement guidance for an employer's participation in a multiemployer pension plan. This ASU is effective for BSHSI for the year ended August 31, 2012. The adoption of this guidance did not have an impact on the consolidated financial position, operating results or cash flows of the System. See note 9 for the new disclosures.

(3) Property, Plant, and Equipment, Net

Property, plant, and equipment, net consist of the following at August 31, 2012 and 2011:

	2012	2011
Land	\$ 81,776	81,505
Land improvements	47,223	46,371
Buildings	933,144	905,886
Fixed equipment	75,409	70,366
Major movable equipment	1,076,857	969,807
Leasehold improvements	74,698	66,049
Construction in progress	112,028	121,874
	<u>2,401,135</u>	<u>2,261,858</u>
Less accumulated depreciation	<u>1,304,654</u>	<u>1,176,632</u>
	<u><u>\$ 1,096,481</u></u>	<u><u>1,085,226</u></u>

Included in construction in progress at August 31, 2012 and 2011 are costs mainly associated with an electronic medical records project, facility renovations, and expansions. The System anticipates expending an additional \$86,797 in future periods to complete strategic capital projects. Depreciation expense for the System was \$132,721 and \$121,955 for the years ended August 31, 2012 and 2011, respectively.

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(4) Assets Limited or Restricted as to Use

The composition of assets limited or restricted as to use consists of the following at August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Board-designated funds		
Cash and cash equivalents	\$ 91,383	95,865
Equity mutual funds	44,875	45,151
Equity commingled funds	61,032	54,553
Common and preferred stocks	277,703	269,268
Fixed income mutual funds	82,642	77,899
Fixed income commingled funds	80,363	75,320
U S government and agency securities	—	779
Corporate obligations	41,801	35,380
Alternative investments	140,830	121,926
Land and other investments, at cost	62	52
	<u>820,691</u>	<u>776,193</u>
Donor-restricted funds		
Cash and cash equivalents	14,724	8,676
Equity mutual funds	1,633	6,170
Equity commingled funds	793	725
Common and preferred stocks	8,049	7,125
Fixed income mutual funds	2,168	2,194
Fixed income commingled funds	1,044	1,001
U S government and agency securities	493	210
Corporate obligations	1,954	1,693
Alternative investments	2,008	1,829
Land and other investments, at cost	51	57
	<u>32,917</u>	<u>29,680</u>
Funds held by indenture trustees		
Cash and cash equivalents	24,971	20,729
Government and agency bonds	33,776	28,342
Corporate obligations	11,347	17,409
	<u>70,094</u>	<u>66,480</u>

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	<u>2012</u>	<u>2011</u>
Self-insurance funds		
Cash and cash equivalents	\$ 12.698	8.051
Equity commingled funds	16.002	13.655
Common and preferred stocks	11.359	10.205
Fixed income mutual funds	24.086	22.259
Fixed income commingled funds	23.617	22.215
	<u>87.762</u>	<u>76.385</u>
Assets limited or restricted as to use	1,011.464	948.738
Available for current liabilities	<u>(61.336)</u>	<u>(78.893)</u>
Long-term assets limited or restricted as to use	<u>\$ 950.128</u>	<u>869.845</u>

The portion of the System's investments available for current liabilities consists of the following at August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Current portion of debt	\$ 2.742	13.361
Self-insurance programs	44.688	54.836
Foundation programs	9.218	6.355
General board-designated	4.688	4.341
	<u>\$ 61.336</u>	<u>78.893</u>

The System's consolidated total return on investments consists of the following for the years ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Dividends and interest	\$ 14.885	17.252
Net realized gains on securities	11.717	37.719
Net unrealized gains on securities	38.156	31.420
	<u>64.758</u>	<u>86.391</u>
Realized and unrealized losses on derivative instruments	<u>(21.610)</u>	<u>(10.031)</u>
	<u>\$ 43.148</u>	<u>76.360</u>

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Total investment return is classified in the accompanying consolidated financial statements as follows for the years ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Nonoperating investment gains, net	\$ 33,032	65,518
Investment income, net on trustee-held funds recorded as other revenue	9,248	8,752
Investment income and net unrealized gains on securities in restricted net assets	430	527
Net unrealized gains on other-than-trading securities	438	1,563
Total investment return	<u>\$ 43,148</u>	<u>76,360</u>

The System's ability to generate investment income is dependent in large measure on market conditions. The market value of the System's investment portfolio, as well as the System's investment income, have fluctuated significantly in the past and are likely to continue to fluctuate in the future. The System's investment portfolio assets are designated as trading securities as discussed in ASC Topic 320, *Investments – Debt and Equity Securities*. The System's entire portfolio is actively managed by third-party investment managers. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. As required by U.S. GAAP, realized and unrealized gains and losses on an investment portfolio designated as a trading portfolio are accounted for as nonoperating investment income and are included in excess of revenues over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenues over expenses.

At August 31, 2012 and 2011, the System had invested approximately \$142.838 and \$123.755, or 14.1% and 13.0%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds and real estate investment funds.

(5) Fair Value of Financial Instruments

The System determines the fair values of its financial instruments based on the fair value hierarchy established in ASC Topic 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents, debt and equity securities and mutual funds that are traded in an active exchange market, as well as government and agency securities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than

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exchange-traded instruments. This category generally includes certain equity mutual funds, corporate-debt securities, equity commingled funds, fixed income commingled funds, and interest rate swaps.

Level 3. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the System's business, its value or consolidated financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values for the System's fixed maturity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designates specific pricing services or indexes for each sector of the market based upon the provider's expertise. The System's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the System from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

Fair values for the System's interest rate swaps have been determined using pricing models developed based on the LIBOR swap rate and other observable market data. The values were determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the System.

BSHSI has elected to record equity and fixed income commingled funds using the fair value option contained within FASB ASC Topic 825, *Financial Instruments*.

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The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2012

	Fair value	Fair value measurements at August 31, 2012 using		
		Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 143,776	143,353	423	—
Equity mutual funds	46,508	46,508	—	—
Equity commingled funds	77,827	—	77,827	—
Common and preferred stocks	297,111	297,111	—	—
Fixed income mutual funds	108,896	108,896	—	—
Fixed income commingled funds	105,024	—	105,024	—
Government and agency bonds	34,269	34,258	11	—
Corporate obligations	55,102	11,673	41,851	1,578
Other	113	96	17	—
Total investments	\$ 868,626	641,895	225,153	1,578
Liabilities				
Interest rate swaps	\$ 94,260	—	94,260	—
Total liabilities	\$ 94,260	—	94,260	—

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The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2011

		Fair value measurements at August 31, 2011 using		
	Fair value	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 133,321	132,884	437	—
Equity mutual funds	51,321	50,191	1,130	—
Equity commingled funds	68,933	—	68,933	—
Common and preferred stocks	286,598	286,598	—	—
Fixed income mutual funds	102,352	102,352	—	—
Fixed income commingled funds	98,536	—	98,536	—
U S government and agency securities	29,331	29,212	119	—
Corporate obligations	54,482	17,770	36,586	126
Total investments	\$ 824,874	619,007	205,741	126
Liabilities				
Interest rate swaps	\$ 88,081	—	88,081	—
Total liabilities	\$ 88,081	—	88,081	—

There were no significant transfers between Level 1, 2 and 3 during the year ended August 31, 2012 and 2011

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The change in the fair value of the assets and liabilities using significant unobservable inputs (Level 3) was due to the following

	<u>Level 3 assets</u> <u>Corporate</u> <u>bonds</u>
Beginning balance, September 1, 2010	\$ —
Total net gains unrealized	1
Total net losses unrealized	(4)
Purchases	248
Sales	(119)
Transfers in (out) of Level 3	<u>—</u>
Ending balance, August 31, 2011	126
Total net gains unrealized	45
Purchases	1,870
Sales	(463)
Transfers in (out) of Level 3	<u>—</u>
Ending balance, August 31, 2012	<u>\$ 1,578</u>

The System has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Directors, contains numerous standards designed to ensure adequate diversification by asset category and geography. The IPS also limits investments by manager and position size, and limits fixed-income positions based on credit ratings, which serves to further mitigate the risks associated with the investment program. At August 31, 2012 and 2011, management believes that its investment positions are in accordance with the guidelines in the IPS.

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(6) Long-Term Debt

Long-term debt consists of the following at August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Master Trust Notes and Hospital Revenue Bonds		
Series 1992B and 1992C Virginia fixed rate term bonds payable in installments through August 2027, interest at 5.93%	\$ 64,644	64,644
Series 1995 Maryland fixed rate term bonds payable in installments through August 2024, interest at 5.50%	4,855	5,135
Series 1995 Memorial Regional Medical Center fixed rate serial and term bonds payable in installments through August 2018, interest at 6.375% to 6.50%	22,700	25,730
Series 1996 Virginia fixed rate serial and term bonds payable in installments through August 2020, interest at 5.40% to 6.25%	11,630	12,735
Series 1997 Virginia fixed rate serial and term bonds payable in installments through August 2023, interest at 4.70% to 5.25%	11,455	12,315
Series 1997 New York fixed rate serial and term bonds payable in installments through July 2027, interest at 5.00% to 5.50%	31,735	33,075
Series 2002A Kentucky fixed rate term bond payable in installments beginning November 2023 through November 2030, interest at 5.625%	42,970	42,970
Series 2002A South Carolina fixed rate and serial term bonds payable in installments beginning November 2015 through November 2030, interest at 5.50% to 6.00%	225,200	225,200
Series 2002A Henrico, Virginia fixed rate term bond payable in installments beginning November 2023 through November 2030, interest at 5.60%	46,400	46,400
Series 2002B Florida variable rate demand bond payable in installments beginning November 2017 through November 2026 subject to a fifteen day put provision, interest at 0.22% and 2.0% at August 31, 2012 and 2011, set at prevailing rates	4,250	4,250
Series 2002B Kentucky variable rate demand bond payable in installments through November 2026 subject to a fifteen day put provision, interest at 0.22% and 2.0% at August 31, 2012 and 2011, set at prevailing rates	13,400	14,075
Series 2008B-C Virginia fixed rate serial and term bond payable in installments through November 2042, interest at 4.50% to 5.25% at August 31, 2012 and 4.50% to 5.25% at August 31, 2011	173,355	173,355

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Series 2008A South Carolina variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042, interest at 0.17% and 3.00% at August 31, 2012 and 2011, set at prevailing rates	\$ 69,925	69,925
Series 2008D Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2025, interest at 0.17% to 0.18% at August 31, 2012 and 0.15% to 0.18% at August 31, 2011, set at prevailing rates	144,490	230,250
Series 2008D South Carolina variable rate demand bonds subject to a seven day put provision payable in installments through November 2025, interest at 0.17% and 0.15% at August 31, 2012 and 2011, set at prevailing rates	25,010	26,425
Series 2010 Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2042, interest at 0.16% and 0.18% at August 31, 2012 and 2011, set at prevailing rates	40,740	40,740
Series 2011 variable rate direct placement bonds payable in installments through November 2025, interest at 1.4% at August 31, 2012, set at prevailing rates	72,460	—
Total Master Trust Notes and Hospital Revenue Bonds	<u>1,005,219</u>	<u>1,027,224</u>
Other debt secured by certain property, plant, and equipment		
9.25% note payable to HUD, due April 2025	6,528	6,788
3.00% note payable to Wells Fargo	1,250	1,425
Capital leases obligations (interest at 5.00-6.00%)	9,090	12,668
Notes payable	29,190	31,120
Other long-term debt	97	154
Total other debt	<u>46,155</u>	<u>52,155</u>
Total long-term debt	1,051,374	1,079,379
Less bond discount, net of accumulated amortization	3,764	4,037
	1,047,610	1,075,342
Less current portion	27,810	61,023
Long-term debt, less current portion	<u>\$ 1,019,800</u>	<u>1,014,319</u>

Master Notes have been issued by BSHSI on behalf of itself and certain affiliates who collectively constitute the Members of an Obligated Group created by a Master Trust Indenture dated October 1, 1985, as restated, supplemented, and amended. Master Notes generally consist of payment obligations securing various series of serial and term indebtedness issued for the benefit of the Members of the Obligated Group.

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by various governmental issuers. The indebtedness is subject to mandatory redemption or maturity annually at various dates through 2042. Each Master Note is a joint and several obligation of each Member of the Obligated Group, but is not secured by any mortgage of, or security interest in, any real or personal property of the Members of the Obligated Group, other than a security interest in their Unrestricted Receivables. Approximately 40.9% and 40.1% of the indebtedness secured by Master Notes is secured, as to payments of principal and interest, by bond insurance policies as of August 31, 2012 and 2011, respectively. Approximately 28.2% and 28.8% of the indebtedness secured by the Master Notes is further secured, as to payments of principal and interest, by letters of credit as of August 31, 2012 and 2011, respectively.

The Master Trust Indenture and certain other agreements require the Obligated Group to maintain minimum financial ratios, place restrictions on the disposition of assets and changes in members of the Obligated Group, and provide for the maintenance of certain trustee-held funds, among other things.

On January 15, 2008, the System completed a bond financing of approximately \$243.300 (Series 2008A-C Bonds). The proceeds of the sale of the Series 2008A-C Bonds together with other funds, were used to (i) pay or reimburse, or refinance certain indebtedness, the proceeds of which were used for the payment of the costs of acquiring, constructing, equipping, expanding, enlarging and improving certain healthcare facilities, (ii) refund the outstanding portion of certain prior bonds, which were outstanding with an aggregate principal amount of \$80,000, and (iii) pay certain costs incurred in connection with the issuance of the Series 2008A-C Bonds and the refunding of the prior bonds, including the costs of bond insurance policies and liquidity enhancement (in the form of standby bond purchase agreements provided by various banks) for the Series 2008A-C Bonds. As initially issued, the Series 2008A-C Bonds bore interest at a weekly interest rate.

On October 19, 2010, the Obligated Group converted the interest rate mode of \$173,355 of the Series 2008B-C bonds from variable interest rate to fixed interest rate. The bonds were converted to fixed rate serial and term bonds. The original variable interest rate bonds were secured by bond insurance policies and four standby bond purchase agreements. The standby bond purchase agreements were terminated on October 19, 2010, however, the bond insurance policies remain in effect. Principal and interest are payable in installments through November 2042 at fixed interest rates ranging from 4.50% to 5.00%.

The conversion satisfied a one-time covenant for the benefit of certain credit enhancers to cause the percentage of the principal amount of its long-term indebtedness, which bears interest at other than a fixed rate to be reduced to not greater than 40% of the Obligated Group's long-term indebtedness.

On November 30, 2011, the Series 2008A Bonds were subject to mandatory tender. In connection with the mandatory tender, the Obligated Group delivered a letter of credit as additional security for the Series 2008A Bonds. Pursuant to the letter of credit, the bank covenants to pay principal of and interest on the Series 2008A Bonds. The bond insurance policy, which was issued concurrently with the issuance of the Series 2008A Bonds, will only pay principal of and interest on the Series 2008A Bonds if the bank fails to pay pursuant to the letter of credit. The bank, which issued the letter of credit, can, under certain circumstances, cause the cancellation of the bond insurance policy. The Series 2008A Bonds continue to be remarketed weekly and bear interest at a weekly interest rate established by the market. While bearing

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interest at a weekly rate, the Series 2008A Bonds are subject to optional tender by the bondholders. If bonds, which are tendered, are not remarketed to new bondholders, pursuant to the letter of credit, the bank will purchase the tendered Series 2008A Bonds on behalf of the Obligated Group. The letter of credit expires, subject to certain exceptions and to the ability of the Obligated Group to request an extension of the stated expiration date, on November 30, 2015. If the bank purchases tendered Series 2008A Bonds pursuant to the letter of credit, no payments are due to the Bank with respect to such Bonds until 367 days after the bank purchases the tendered Series 2008A Bonds. Beginning on such 367th day, the Obligated Group must repay the principal amount of the purchased bonds in substantially equal semiannual installments (i) if the bond insurance policy is still in effect, over the subsequent five years or (ii) if the bond insurance policy has been canceled, over the subsequent three years.

On October 17, 2008, the Obligated Group completed a bond financing of approximately \$293,600 (referred to as the Series 2008D Bonds). The proceeds of the sale of the Series 2008D Bonds, together with other funds, were used to (i) currently refund and/or purchase all of the outstanding principal amount of the South Carolina Jobs-Economic Development Authority Variable Rate Economic Development Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of \$30,400, (ii) currently refund and/or purchase all of the Economic Development Authority of Hanover County Variable Rate Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of \$31,500, (iii) currently refund and/or purchase all of the Economic Development Authority of Henrico County, Virginia Variable Rate Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of \$53,900, (iv) currently refund and/or purchase all of the Economic Development Authority of the City of Norfolk Variable Rate Revenue Refunding Bonds, Series 2005A (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of \$40,300, (v) purchase and redeem all of the Economic Development Authority of Hanover County Variable Rate Revenue Bonds, Series 2005A outstanding in the aggregate amount of \$93,200, (vi) purchase and redeem all of the Economic Development Authority of the City of Norfolk Variable Rate Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate amount of \$44,300, and (vii) pay related costs. The Series 2008D Bonds are bonds remarketed weekly and bear interest at a weekly interest rate established by the market.

On September 29, 2010, BSHSI terminated six irrevocable direct pay letters of credit that secured the Series 2008D Bonds. On the same date, BSHSI entered into four new and two amended and restated irrevocable direct pay letters of credit with stated maturities ranging from September 2013 to September 2015 to secure the Series 2008D Bonds. The direct pay letters of credit had remaining principal balance of the Series 2008D Bonds as of September 29, 2010 of (i) \$27,785 Series 2008D SCJEDA, (ii) \$28,805 Series 2008D-1 Hanover, VA, (iii) \$36,805 Series 2008 D-1 Norfolk, VA, (iv) \$42,415 Series 2008D Henrico, (v) \$42,050 Series 2008D-2 Norfolk, and (vi) \$92,765 Series 2008D-2 Hanover, VA. The Series 2008D Bonds described in (iii) and (v) were subsequently redeemed with the proceeds of the hereinafter described Series 2011 Bonds.

The Series 2008D Bonds are subject to long-term amortization periods. However, while bearing interest at a weekly rate, the Series 2008D Bonds are subject to optional tender by the bondholders. If bonds, which are tendered, are not remarketed to new bondholders, pursuant to the letter of credit, the bank will purchase the tendered Series 2008D Bonds on behalf of the Obligated Group. If the bank purchases tendered Series 2008D Bonds pursuant to the letter of credit, no payments are due the Bank with respect to such

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Bonds until 367 days after the bank purchases the tendered Series 2008D Bonds. The Obligated Group must repay the principal amount of the purchased bonds (x) with respect to two of the bank agreements ((i) and (ii), as described above), on the first day of the 13th month succeeding the stated expiration date (currently September 2013), (y) with respect to the other one letter of credit agreement ((iv) as described above), in substantially equal payments commencing on the first business day following the 367th day, and semiannually thereafter over the subsequent three years, and (z) with respect to the other one letter of credit agreement ((vi) as described above), in substantially equal payments commencing on the first business day following the 367th day, and semiannually thereafter over the subsequent four years, unless certain events occur. To secure its obligations to reimburse the various banks, BSHSI issued separate Master Notes.

On October 19, 2010 the Obligated Group completed a bond financing of \$40.740 (referred to as the Series 2010 Bonds). The proceeds of the sale of the Series 2010 Bonds were used to (i) pay a swap termination payment of \$38.972 and (ii) pay related costs of issuance. The Series 2010 Bonds were issued through the Virginia Small Business Financing Authority. The Series 2010 Bonds are secured by an irrevocable direct pay letter of credit with a stated maturity of September 2013. The Series 2010 Bonds are bonds remarketed weekly and bear interest at a weekly rate established by the market.

The Series 2010 Bonds are subject to long-term amortization periods. However, while bearing interest at a weekly rate, the Series 2010 Bonds are subject to optional tender by the bondholders. If Series 2010 Bonds, which are tendered, are not remarketed to new bondholders pursuant to the letter of credit, the bank will purchase the tendered Series 2010 Bonds on behalf of the Obligated Group. If funds are advanced on the letter of credit to purchase bonds, no payments are due from the Obligated Group to the bank until 367 days after the bank purchases such bonds. Beginning on the first business day following the 367th day, the Obligated Group must repay these advances semiannually in equal or nearly equal amounts over the subsequent three years unless certain events occur. To secure its obligations to reimburse the bank BSHSI issued a Master Note.

On December 8, 2011, the Economic Development Authority of the City of Norfolk issued \$72.5 million principal amount of its Revenue Bonds, Series 2011 (Bon Secours Health System, Inc.) (referred to as the Direct Purchase Bonds) and loaned the proceeds thereof to BSHSI. The proceeds of the Direct Purchase Bonds were used to (i) refund the Series 2008D Bonds issued by the Economic Development Authority of the City of Norfolk, (ii) pay or reimburse, or refinance certain indebtedness, the proceeds of which were used for the payment of the costs of acquiring, constructing, equipping, expanding, enlarging and improving certain healthcare facilities and (iii) pay certain costs incurred in connection with the issuance of the Series 2008A-C Bonds and the refunding of the prior bonds. The Direct Purchase Bonds have a final maturity of November 15, 2025 and were purchased by a financial institution (referred to as the Direct Purchase Bank) for an initial term of ten years. During the initial term, the Direct Purchase Bonds bear interest based on a percentage of LIBOR plus an agreed upon spread. Payment of the Direct Purchase Bonds will be secured in part by an obligation issued under the Master Indenture. In connection with the issuance of the Direct Purchase Bonds, BSHSI, as Credit Group Representative under the Master Indenture, entered into a credit agreement with the Direct Purchase Bank, which contain various covenants that can be enforced or waived solely by the Direct Purchase Bank. Those covenants are similar to the covenants that BSHSI has provided to various banks and insurance companies, which have provided credit enhancement with respect to BSHSI's other outstanding indebtedness.

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The fair value of the Master Notes and the underlying indebtedness is \$1,014,233 and \$1,030,767 as of August 31, 2012 and 2011, respectively. The fair value of the Master Notes was determined by comparing current market prices of similar debt.

Scheduled principal repayments on long-term debt are as follows:

2013	\$	27,810
2014		28,397
2015		27,847
2016		29,948
2017		37,743
Thereafter		<u>899,629</u>
Total	\$	<u><u>1,051,374</u></u>

The System has entered into four leases maturing in 5-10 years that are classified as capital leases for building and equipment. In addition, the System has consolidated two limited liability corporations with amounts outstanding under notes totaling \$27,576 and \$29,095 as of August 31, 2012 and 2011, respectively. Such notes have an interest rate of 7.75% and maturity dates in 2021.

Frances Schervier Home and Hospital (Schervier) is located in the Bronx, New York and is indirectly controlled by BSHSI. Schervier is not a member of the BSHSI obligated group. Schervier is the obligor on certain Series 1997 fixed rate bonds issued by the Dormitory Authority of the State of New York with an outstanding principal amount of \$31.725. Pursuant to its loan agreement, Schervier covenanted to maintain certain minimum financial ratios. At December 31, 2010, Schervier was not in compliance with its annual debt service coverage ratio (the Coverage Ratio). Therefore, such debt is included within the current portion of long-term debt as of August 31, 2011. At December 31, 2011, Schervier was not in compliance with the Coverage Ratio. Accordingly, management requested and received waivers of compliance with the Coverage Ratio for the calendar years ended December 31, 2011 and 2012. Accordingly, such debt has been classified as long-term at August 31, 2012, except for the amounts that are payable in the following year, which are classified as current.

Total interest expense was \$42,358 and \$41,099 for the years ended August 31, 2012 and 2011, respectively. Cash paid for interest was \$35,350 and \$36,175 for the years ended August 31, 2012 and 2011, respectively, and includes capitalized interest for construction projects of \$2,648 and \$3,005, net of investment income, for the years ended August 31, 2012 and 2011, respectively.

(7) Interest Rate Risk Management

The System uses fixed and variable-rate debt to finance capital needs and develop an appropriate debt structure. Variable-rate debt exposes the System to variability in interest expense due to changes in interest rates. Conversely, fixed-rate debt obligations can be more expensive to the System in times of declining interest rates. The System manages and monitors its cost of capital on a regular basis and from time to time enters into derivative instruments with financial institutions to help manage interest rate risk.

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At August 31, 2012 and 2011, the System had eleven instruments, respectively, which did not qualify for hedge accounting treatment under ASC Topic 815. Fair value changes of these instruments were reported under nonoperating investment gains, net. The following is a summary of the derivative instruments in place at August 31, 2012.

Description	#	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ 8/31/2012	Counterparties	Mark to market	Collateral thresholds
Fixed Payer	1	\$ 50,710	3.448%	Nov-2025	\$ —	Goldman Sachs	\$ (7.612)	10,000
Fixed Payer	1	76,065	3.491%	Nov-2025	—	Deutsche Bank	(11.611)	20,000
			3.420%	Aug-2026				
Fixed Payer	2	121,875	4.460%	Nov-2028	—	Merrill Lynch	(27.409)	*
			3.384%	Oct-2025				
Fixed Payer	2	121,350	4.485%	Oct-2026	14.285	JP Morgan	(29.441)	15,000
Fixed Payer	1	69,925	3.454%	Nov-2042	—	PNC Bank	(22.976)	*
	7	439,925			14.285		(99.049)	
Fixed Basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	4.829	20,000
Variable Basis	3	488,500	SIFMA	Nov-2029	—	Merrill Lynch	(7.305)	*
Total derivatives	11	\$ 1,128,425			\$ 14.285		(101.525)	\$ 65,000
						Valuation adjustments	7.265	
							\$ (94.260)	

The following is a summary of the derivative instruments in place at August 31, 2011.

Description	#	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ 8/31/2011	Counterparties	Mark to market	Collateral thresholds
Fixed Payer	1	\$ 56,360	3.448%	Nov-2025	\$ —	Goldman Sachs	\$ (6.864)	10,000
Fixed Payer	1	84,540	3.491%	Nov-2025	—	Deutsche Bank	(10.515)	20,000
			3.420%	Aug-2026				
Fixed Payer	2	127,575	4.460%	Nov-2028	—	Merrill Lynch	(24.010)	*
			3.384%	Oct-2025				
Fixed Payer	2	125,200	4.485%	Oct-2026	11.086	JP Morgan	(26.085)	15,000
Fixed Payer	1	69,925	3.454%	Nov-2042	—	Citigroup	(15.209)	*
	7	463,600			11.086	Citigroup	(82.683)	
Fixed Basis	1	200,000	SIFMA	Jan-2029	—	Merrill Lynch	(1.533)	20,000
Variable Basis	3	501,000	SIFMA	Nov-2029	—		(12.610)	*
Total derivatives	11	\$ 1,164,600			\$ 11.086		(96.826)	\$ 65,000
						Valuation adjustments	8.745	
							\$ (88.081)	

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The unrealized losses of \$6.178 and unrealized gains of \$8.402 for the years ended August 31, 2012 and 2011, respectively, relating to these nonqualifying derivative activities are recorded within nonoperating investment gains, net in the accompanying consolidated statements of operations

The System utilizes a diversified group of swap counterparties and has sought to limit its obligations to post collateral in the agreements governing its derivative instruments. In addition, the System routinely evaluates its derivative portfolio and may decide at any time to terminate certain of the derivative instruments discussed above and/or enter into new derivative instruments. Should the System decide to terminate any of such instruments, it may be required to make termination or breakage payments under the terms of those instruments.

On September 28, 2010, the System terminated four fixed payor swaps with a notional value of \$173.355 that were integrated with the Series 2008B-C bonds that converted from variable rate to fixed interest rate bonds. On October 19, 2010, the System paid \$38.972 to the counterparty to terminate these swaps.

(8) Noncontrolling Interest

The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the System's controlling interest and noncontrolling interest, including amounts such as the performance indicator, change in pension and other postretirement adjustments and other changes in unrestricted net assets as of and for the years ended August 31, 2012 and 2011.

	Unrestricted net assets- controlling interest	Unrestricted net assets- noncontrolling interest	Total unrestricted net assets
Balance as of August 31, 2010	\$ 500.722	144.397	645.119
Excess of continuing revenues over expenses	85.886	29.313	115.199
Net change in unrealized gains on other than trading securities	1.563	—	1.563
Net assets released from restrictions used for purchase of property, plant, and equipment	3.661	—	3.661
Net change in equity of joint ventures	3.060	—	3.060
Pension and other postretirement adjustments	46.882	—	46.882
Distributions to noncontrolling interest owners	—	(5.080)	(5.080)
Transfers to affiliates and other changes, net	(3.312)	(3.820)	(7.132)
Increase in net assets	137.740	20.413	158.153
Balance as of August 31, 2011	638.462	164.810	803.272

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	Unrestricted net assets- controlling interest	Unrestricted net assets- noncontrolling interest	Total unrestricted net assets
Excess of continuing revenues over expenses	\$ 91,018	21,023	112,041
Gain on discontinued operations	2,872	—	2,872
Net change in unrealized gains on other than trading securities	438	—	438
Grants for capital	5,235	—	5,235
Net assets released from restrictions used for purchase of property, plant, and equipment	3,537	—	3,537
Net change in equity of joint ventures	3,301	—	3,301
Pension and other postretirement adjustments	(129,968)	—	(129,968)
Distributions to noncontrolling interest owners	—	(7,042)	(7,042)
Transfers to affiliates and other changes, net	(6,052)	1,989	(4,063)
(Decrease) increase in net assets	(29,619)	15,970	(13,649)
Balance as of August 31, 2012	\$ 608,843	180,780	789,623

(9) Pension Plan

Most of the System's employees are covered by one of the System's several noncontributory defined benefit pension plans, while a portion are covered by defined contribution retirement plans. The System's noncontributory defined benefit pension plans provide benefits based upon age at retirement, years of credited services, and average earnings. Seven of the System's eight defined benefit plans are deemed church plans under the Internal Revenue Code. For defined benefit pension plans deemed to be church plans under the Internal Revenue Code, the System's funding policy is to make contributions to fund the annual service cost of the plans plus a 15 year amortization of the unfunded Accumulated Benefit Obligation. Defined benefit pension plans that are subject to the Employee Retirement Income Security Act of 1974 guidelines are funded in accordance with those guidelines. The service cost and projected benefit obligation are based upon the projected unit credit actuarial method.

In July 2011, the System announced the closure of the defined benefit pension plans to all new employees. Existing defined benefit plan participants were given a choice option. This choice option allows a one time election to maintain participation in the defined benefit pension plan or move to a defined contribution retirement plan. Based on an actuarial review of demographic data, the System recognized a curtailment charge of \$571 and an increase in unrestricted net assets of \$16,666 related to the estimated reduction in the projected benefit obligation.

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The investment policy and objectives for defined benefit plan assets are established by BSHSI and are based on a long-term perspective. An investment advisory firm engaged by BSHSI reviews asset performance and allocation on a periodic basis throughout the fiscal year. The percentage allocation to each asset class may vary depending upon market conditions and is adjusted when it falls outside the established ranges set for each asset class.

The following are deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, as of August 31, 2012 and 2011. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected average remaining assumed service period for active employees.

	Amounts in unrestricted net assets at August 31, 2012	Amounts in unrestricted net assets at August 31, 2011	Amounts in unrestricted net assets to be recognized in fiscal year 2013
Net prior service cost	\$ 366	565	212
Net actuarial losses	366,076	235,410	28,759
Transition asset	(14)	(22)	7
Total	<u>\$ 366,428</u>	<u>235,953</u>	<u>28,978</u>

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The components of the funded status, net periodic benefit costs, and actuarial assumptions used in accounting for defined benefit pension plans for the years ended August 31, 2012 and 2011 are as follows

	<u>2012</u>	<u>2011</u>
Change in projected benefit obligation		
Net projected benefit obligation at beginning of year	\$ 750,554	727,447
Service cost	20,495	23,817
Interest cost	40,120	38,771
Actuarial loss	160,352	1,730
Plan amendments	—	498
Curtailments	—	(16,095)
Gross benefits paid	<u>(28,126)</u>	<u>(25,614)</u>
Projected benefit obligation at end of year	<u>943,395</u>	<u>750,554</u>
Change in plan assets		
Fair value of plan assets at beginning of year	439,987	376,591
Actual return on plan assets	52,870	50,645
Employer contributions	32,126	38,365
Gross benefits paid	<u>(28,126)</u>	<u>(25,614)</u>
Fair value of plan assets at end of year	<u>496,857</u>	<u>439,987</u>
Net amount recognized at end of year	<u>\$ (446,538)</u>	<u>(310,567)</u>
	<u>2012</u>	<u>2011</u>
Accumulated benefit obligation at end of year	\$ 900,261	718,417
Amounts recognized in the consolidated balance sheets consist of		
Accrued benefit costs – long term	\$ (446,538)	(310,567)
Components of net periodic benefit cost		
Service cost	\$ 20,495	23,817
Interest cost	40,120	38,771
Expected return on plan assets	(36,086)	(34,884)
Amortization of		
Actuarial loss	12,749	16,518
Prior service cost	199	325
Transition asset	(7)	(7)
Curtailment charge	<u>—</u>	<u>—</u>
Total net periodic benefit costs	<u>\$ 37,470</u>	<u>44,540</u>

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	<u>2012</u>	<u>2011</u>
Weighted average assumptions used to determine benefit obligations at August 31		
Discount rate	4.00%	5.35%
Rate of compensation increase	3.00	3.50
Weighted average assumptions used to determine net periodic benefit cost at August 31		
Discount rate	5.35%	5.30%
Expected return on plan assets	7.80	7.80
Rate of compensation increase	3.50	3.50

Net pension expense is included as a component of fringe benefits recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations.

The expected long-term rate of return of the pension plan assets used for determining pension expense was 7.80% and was determined based upon a review of the System's long-term rate of return experienced in the capital markets for the target asset allocation employed to invest pension assets.

The System's pension plan asset allocation is planned to include approximately 65% equities, 30% fixed income/cash, and 5% alternatives. Equity investments are balanced between type and size of investment and investment managers are monitored against benchmarks. As of August 31, 2012 and 2011, the pension plan assets were allocated by asset category as follows:

<u>Asset category</u>	<u>2012</u>	<u>2011</u>
Equity mutual and commingled funds and securities	61%	59%
Fixed income mutual funds and securities	28	27
Alternative investments	9	10
Cash	2	4
Total	<u>100%</u>	<u>100%</u>

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The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2012

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 22,231	22,231	—	—
Equity mutual funds	6,810	6,810	—	—
Equity commingled funds	55,591	—	55,591	—
Common and preferred stocks	233,424	233,424	—	—
Fixed income mutual funds	18,515	18,515	—	—
Government and agency bonds	45,948	44,909	1,039	—
Corporate obligations	70,761	—	69,973	788
Alternative investments	43,577	—	—	43,577
Total investments	\$ 496,857	325,889	126,603	44,365

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2011

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 15,519	14,839	680	—
Equity mutual funds	5,396	5,396	—	—
Equity commingled funds	47,150	—	47,150	—
Common and preferred stocks	206,625	206,625	—	—
Fixed income mutual funds	63,238	63,238	—	—
U S government and agency securities	15,744	15,744	—	—
Corporate obligations	41,720	—	41,660	60
Alternative investments	44,595	—	—	44,595
Total investments	\$ 439,987	305,842	89,490	44,655

There were no significant transfers between Level 1, 2 and 3 during the years ended August 31, 2012 and 2011

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The change in the fair value for the pension assets valued using significant unobservable inputs (Level 3) was due to the following

	Level 3 assets		
	Corporate Bonds	Alternative investments	Total
Beginning balance September 1, 2010	\$ —	19,755	19,755
Total net gains realized	1	—	1
Total net gains (losses) unrealized	(2)	1,340	1,338
Purchases	130	23,500	23,630
Sales	(69)	—	(69)
Ending balance August 31, 2011	60	44,595	44,655
Total net gains realized	1	—	1
Total net (losses) gains unrealized	24	(1,018)	(994)
Purchases	1,011	—	1,011
Sales	(308)	—	(308)
Ending balance August 31, 2012	\$ 788	43,577	44,365

The System applies ASU No 2009-12, *Fair Value Measurements and Disclosures (Topic 820) Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan asset portfolio. The guidance amends ASC Topic 820 and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value or its equivalent. The alternative investments classified within Level 3 of the fair value hierarchy have been recorded using Net Asset Value (NAV).

The following summarizes the redemption and commitment terms for the alternative investment vehicles held in the pension plan assets as of August 31, 2012

	Hedge Fund	Hedge Fund
Redemption timing		
Redemption frequency	Monthly	Quarterly
Required notice	70 days	95 days
Audit reserve		
Percentage held back for audit reserve	10%	10%
Gates		
Potential gate holdback	—%	—%
Potential gate release timeframe	n/a	n/a
Unfunded commitments	—	—

The System expects to contribute \$37.323 to its pension plans in fiscal year 2013

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Future pension benefit payments, which reflect expected future service, as appropriate, are expected as follows

2013	\$	48,204
2014		36,132
2015		37,441
2016		39,799
2017		41,674
2018-2022		242,487

The System also has various contributory, tax-deferred annuity, and savings plans with participation available to certain employees. The System matches employee contributions up to 6% of compensation under certain defined contribution plans. The System contributed approximately \$29,060 and \$17,617 towards these plans during the years ended August 31, 2012 and 2011, respectively. Total expense was \$27,933 and \$18,515 in 2012 and 2011, respectively.

In addition to the retirement plan described above, other postretirement healthcare benefits are provided to certain qualified retirees who meet certain eligibility requirements. The net obligation recognized in the accompanying consolidated balance sheets at August 31, 2012 and 2011 is \$3,189 and \$3,795, respectively.

Multi-Employer Plans

The system contributes to two multi-employer defined benefit pension plans. These plans include The Archdiocese Pension Plan for the Archdiocese of New York (Archdiocesan Plan) and the 1199 Union Pension Plan.

(a) Archdiocesan Plan

The Archdiocesan Plan is a noncontributory, multi-employer defined benefit plan, which covers substantially all of Bon Secours New York Health System (BSNYHS) and Bon Secours Charity Health System's (BSCHS) full-time nonunion employees. The Employer Identification Number is 13-3089351. The Archdiocesan Plan is a Church plan approved by the Internal Revenue Service and is exempt from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the Archdiocesan Plan are based on actuarial valuations. The contributions of all participating employers are pooled. As of January 1, 2011, the Archdiocesan Plan's market value of assets is \$953,719 and the present value of accrued plan benefits is \$1,281,404 resulting in a funded status of 74.4%. Contributions to the Archdiocesan Plan were \$3,723 and \$2,734 for the years ended August 31, 2012 and 2011, respectively.

(b) 1199 SEIU Health Care Employees Pension Fund

The System contributes to a multi-employer defined benefit plan under the terms of a collective bargaining agreement for its 1199 SEIU employees. The Employer Identification Number is 13-3604862/001. The most recent available information on the Pension Protection Act (PPA) zone status is for the plan years ended December 31, 2010 and 2009. The zone status is based on

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information that the System received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. Based on this information the zone status was green and red for the plan years ended December 31, 2010 and 2009, respectively. The plan's funded status is 94.1% as of January 1, 2010.

The expiration date of the collective bargaining agreements requiring contributions to the plan are April 30, 2015 for service and maintenance units and June 30, 2015 for nursing units. The contributions by the System to the union pension fund were \$7.523 and \$6.810 for the years ended August 31, 2012 and 2011. There have been no significant changes that affect the comparability of 2012 and 2011 contributions. The System was not listed in the plan's most recent available annual report (Form 5500 for U.S. Plans) for providing more than 5% of the total contributions to the plan for the years ended December 31, 2010 and 2009.

(10) Reimbursement Programs

The System participates in the Medicare and Medicaid programs. Payment rates for inpatient services provided to program beneficiaries are governed by the applicable regulations and implementation provisions thereunder, based generally on prospectively determined rates using clinical and diagnostic charges. Capital costs are also generally based upon prospectively determined rates. However, certain services are subject to cost-based reimbursement principles, subject to certain limitations. The System also participates in Blue Cross and other managed care programs. Generally, these programs provide for payments based on negotiated rates, however, certain plans utilize cost-based or charge-based payment principles.

Programs utilizing cost-based reimbursement principles are subject to review and final determination by appropriate program representatives. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews. Due to third-party payors, net, is included in other accrued expenses in the accompanying consolidated balance sheets.

Since 2005, the Centers for Medicare and Medicaid Services (CMS) have utilized recovery audit contractors (RACs) as part of the CMS's further efforts to assure accurate patient payments. The project uses the RACs to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. To date, the BSHSI hospitals in South Carolina, New York, Kentucky, and Virginia have had certain Medicare claims denied and the BSHSI hospital in Baltimore has had a nominal amount of claims denied. Since 2008, State Medicaid Integrity Programs (referred to as MIPs) have been initiated by CMS through contractors. As of August 31, 2012, MIP audits have been initiated in BSHSI hospitals in Virginia and New York with nominal findings.

The outcome of any open audit reports is uncertain and cannot be reasonably estimated. In addition to RAC and MIP audits, System affiliates may from time to time be subject to other audits by state or federal agencies, including state Medicaid programs. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

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The System's management strives to anticipate factors that affect payment changes and develop plans to address them. Management attempts to address these issues proactively through its policies and practices that focus on areas such as charity and uninsured care as well as effective managed care contracting, accounts receivable and revenue cycle best practices and analysis of potential government payment changes. Nonetheless, future actions by federal, state, and private payors could have a significant adverse effect on the System's operating results, cash flows, and liquidity. In addition, management pursues the highest level of compliance, but state and federal audits by the Offices of the Inspector General do create uncertainty. At this time, the System has one audit underway. The outcome of this audit is uncertain and the impact cannot be reasonably estimated at this time.

As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the U.S. healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Two specific changes have been enacted by CMS, both of which present opportunities to the System. The first is value-based purchasing. On May 6, 2011, CMS issued the final rule that establishes a hospital value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, value-based incentive payments will be made based upon achievement of or improvement on a set of clinical and patient experience of care quality measures designed to foster improved clinical outcomes for hospital patients as well as improve how patients experience inpatient care. The System's hospitals are currently measuring quality indicators consistent with the CMS value-based purchasing methodology and creating action plans to continue improvement in future periods in an effort to maximize the System's reimbursement opportunities.

The second change is Meaningful Use – HITECH Stimulus Grants. On July 13, 2010, CMS issued rules to implement the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act (HITECH Act). Certain hospitals and eligible healthcare professionals (EPs) that demonstrate "meaningful use" of certified EHR technology can qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and EPs "adopt, implement or upgrade" certified EHR, which includes purchasing the technology, in order to receive incentive payments in 2011. Beginning in federal fiscal year 2015, Medicare payment reduction penalties will be assessed against hospitals and EPs that do not achieve meaningful use of EHR. During the year ended August 31, 2012, the System qualified for Medicare EHR incentive payments of approximately \$12,400 and Medicaid EHR incentive payments of \$6,500. During the year ended August 31, 2011, the System qualified for Medicare EHR incentive payments of approximately \$10,800 and Medicaid EHR incentive payments of approximately \$2,500. BSHSI has made a substantial investment in a qualified EHR. The System expects to qualify providers for Medicaid payments in all States where the State Medicaid Health Information Technology Plan has been submitted to and are approved by CMS.

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(11) Investments in Joint Ventures and Nonpublic Entities

The System has invested in a number of joint ventures, limited liability corporations and other nonpublic entities to provide specialty healthcare services or engage in other activities. These investments range from minority investments with no control to majority investments or investments with control.

(a) Roper St. Francis Healthcare – South Carolina

BSHSI, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are members of Care Alliance Health Services (d/b/a Roper St. Francis Healthcare). Roper St. Francis Healthcare is the sole member of and operates Bon Secours – St. Francis Xavier Hospital, Roper Hospital, a supporting foundation and physician practices located in Charleston, South Carolina. BSHSI is obligated to provide 27% of any capital contribution to Roper St. Francis Healthcare and is entitled to 27% of any surplus capital. BSHSI accounts for its interest in Roper St. Francis Healthcare under the equity method and includes its interest in Roper St. Francis Healthcare's excess of revenue over expenses in its consolidated statements of operations as other revenue. Roper St. Francis Healthcare, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are not otherwise affiliated with BSHSI and are not Members of the Obligated Group.

The System recorded income of \$3,630 and \$10,171 related to its equity interest for the years ended August 31, 2012 and 2011, respectively. Included in these amounts were the System's allocated share of investment gains of \$3,077 and \$6,287 for the years ended August 31, 2012 and 2011, respectively. In addition, adjustments of \$3,310 and \$3,259 were recorded as net change in equity of joint ventures in 2012 and 2011, respectively, to reflect the System's 27% interest in the net assets of this joint venture.

The total assets, total liabilities, and net assets as of August 31, 2012 and 2011 and the total revenue, total expenses, investment gains, net, and change in unrestricted net assets for the years then ended for Roper St. Francis Healthcare are as follows:

	<u>2012</u>	<u>2011</u>
Total assets	\$ 840,650	846,700
Total liabilities	492,624	510,675
Net assets	348,026	336,025
Total revenue	772,411	719,956
Total expenses	771,818	704,956
Investment gains, net	11,427	23,285
Change in unrestricted net assets	15,708	40,174

In June 2009, Roper St. Francis Healthcare received state approval for the construction of a new 50-bed full service hospital located in Berkeley County, South Carolina. The approval of this project is currently under appeal at the request of a local hospital that also received state approval for a 50-bed facility. These capital construction projects will be financed through Roper St. Francis Healthcare's equity. A portion of the annual distributions are expected to be foregone during the construction period.

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(b) *Bon Secours Holy Family Regional Health System – Pennsylvania*

On November 1, 2004, Bon Secours Holy Family Regional Health System, which owned and operated Bon Secours Holy Family Hospital (now known as Bon Secours Hospital), located in Altoona, Pennsylvania, merged with Altoona Hospital, Inc. to form Altoona Regional Health System (referred to as ARHS). ARHS owns and operates Altoona Hospital and Bon Secours Hospital. Until March 8, 2011, Central Pennsylvania Health Services Corporation held a 90% membership interest in ARHS and BSHSI held the remaining 10% membership interest. BSHSI recorded its membership interest in ARHS under the equity method due to the extent of its board powers, and included its interest in ARHS's change in net assets in its consolidated statements of operations as other revenue.

The ARHS bylaws provided that upon the occurrence of certain defined events and dates, BSHSI could exercise a "put" option to require ARHS to purchase BSHSI's membership interest in ARHS at fair market value. In November 2010, BSHSI exercised its "put" option, and on March 8, 2011, BSHSI and ARHS entered into an agreement under which BSHSI withdrew as a member of ARHS, and received a distribution from ARHS of approximately \$10,000.

(c) *Sentara Princess Anne*

On August 3, 2011, BSHSI, DePaul Medical Center and Bon Secours Hampton Roads Health System (referred to as Bon Secours Hampton Roads) entered a joint venture with Sentara Healthcare (Sentara) to own a 154-bed general acute care hospital to be located in Virginia Beach, Virginia. Bon Secours Hampton Roads contributed 42 licensed but unstaffed beds and the remaining beds came from certificates of public need (referred to as CONs) obtained by Sentara or reallocated from existing Sentara facilities.

The new joint venture hospital opened for operations during August 2011 and is owned by a newly formed Virginia not-for-profit, nonstock corporation, in which Sentara holds a 70% membership interest and DePaul Medical Center holds a 30% membership interest. The joint venture is managed by Sentara and the agreements provide the members with rights to "put" and "call" the Bon Secours Hampton Roads' membership interest at fair market value terms upon the occurrence of certain events and dates.

Approximately 80% of the project costs for the new joint venture hospital were financed by the proceeds of tax-exempt borrowings by Sentara, which borrowings were assumed by the joint venture. The remaining project costs plus appropriate working capital is funded 70% by Sentara and 30% by Bon Secours Hampton Roads. The System's cash capital contributions to the joint venture were \$20,600 in 2011 (none in 2012). The joint venture will fund operating and capital reserves from its operations. Distributions to members will occur in accordance with the respective membership interests following the build up by the joint venture of days cash on hand above certain thresholds. If the joint venture undertakes major capital projects, such projects will be funded by a portion of joint venture indebtedness and use of capital reserves, and if necessary, by capital contributions of the members in accordance with their respective membership interests.

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The total assets, total liabilities, and net assets as of August 31, 2012 and 2011 and the total revenue, total expenses, and change in unrestricted net assets for Sentara Princess Anne Hospital are as follows

	<u>2012</u>	<u>2011</u>
Total assets	\$ 271,562	240,570
Total liabilities	196,616	174,727
Net assets	74,946	65,843
Total revenue	96,260	9,386
Total expenses	89,560	13,456
Change in unrestricted net assets	6,710	65,738

(12) Sales and New Businesses

On October 21, 2010, eight System affiliates located in Richmond and Hampton Roads, Virginia sold their outreach clinical reference laboratory services business to an independent third party. These laboratory services contributed less than 1.0% of the System's total revenue during the fiscal year ended August 31, 2010 and the assets that were sold were nominal. The sale of the laboratory services was undertaken to take advantage of favorable market conditions before future reimbursement and market uncertainties change and generated an approximate gain of \$30,000, which is reported in other revenue during the year ended August 31, 2011.

(13) Other Commitments and Contingent Liabilities

(a) General and Professional Liability Insurance

The System participates in a self-insurance program for health professional/general liability (HPL/GL Program) by policies issued under a member of the System, Bon Secours Assurance Company, LTD (BSAC). BSAC is incorporated in the Cayman Islands. BSHSI is the sole shareholder of BSAC. Assets are available under the HPL/GL Program to provide specified levels of claims-made coverage for health professional liabilities and occurrence-based coverage for general liabilities, with excess layers reinsured through commercial carriers under policies written on a claims-made basis.

The provision for claims and related funding levels for the HPL/GL Program is established annually based upon the recommendations of consulting actuaries. BSAC has accrued claims including liabilities for incidents incurred but not reported of approximately \$113,085 and \$102,346 at August 31, 2012 and 2011, respectively. The current portion of such accruals, \$18,710 at August 31, 2012 and \$17,382 at August 31, 2011, is included in other accrued expenses, and the remainder, \$94,375 at August 31, 2012 and \$84,964 at August 31, 2011, is reported within other long-term liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

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(b) *Workers' Compensation Insurance*

The System's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer Mary Immaculate Hospital, which is also a participant of the System's workers' compensation program, is insured under a large deductible policy. Accrued workers' compensation claims of \$45,051 and \$40,486, of which the current portion, \$7,882 and \$6,589 at August 31, 2012 and 2011, respectively, is reported as other accrued expenses and the remainder, \$37,169 and \$33,897 at August 31, 2012 and 2011, respectively, is reported within other long-term liabilities in the accompanying consolidated balance sheets, include estimates for incidents incurred but not reported at August 31, 2012 and 2011, respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments using a discount rate of 3.0% as of August 31, 2011, but as of August 31, 2012, such amounts are undiscounted and based upon an actuarial central estimate. The impact of the change in discount rate was not significant to the consolidated financial statements.

(c) *Employee Health Insurance*

Employee health benefits of the System are principally provided through the System's self-insurance program. Accrued claims associated with this program, which are reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately \$18,286 and \$17,375, include estimates for claims incurred but not reported, at August 31, 2012 and 2011, respectively.

(d) *Litigation*

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The System's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business. It is management's opinion that the ultimate resolution of these pending claims and regulatory matters will not have a material adverse effect on the System's consolidated results of operations or financial position.

(e) *Operating Leases*

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rental expense was \$93,755 and \$84,953 in 2012 and 2011, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2013	\$	66,860
2014		53,315
2015		42,956
2016		31,266
2017		24,019
Thereafter		63,227

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Certain local systems entered into agreements to lease space in medical office buildings (MOBs) under construction by external development companies. Based on the provisions of ASC Topic 840-40-05-5, *Lessee Involvement with Construction*, local systems were considered the owner of the MOBs during construction. These transactions do not qualify for sale-leaseback accounting and as such are treated as financing transactions. Accordingly, the associated financing obligations, along with their related construction in progress or building assets of \$35,321 and \$44,460 at August 31, 2012 and 2011, respectively, are included in other long-term liabilities and construction in progress or buildings and equipment in the accompanying consolidated balance sheets. The financing obligations associated with these transactions will not result in cash payments in excess of amounts paid under the related operating lease payments. All future cash obligations related to leased space within these MOBs are included as future minimum lease payments in the amounts reported above.

Subsequent to August 31, 2012, the System has entered into additional operating leases and developments as a matter of ongoing business.

(f) Guaranty Agreements

Affiliates of the System entered into several limited partnership agreements during the period from 1997 through 2010. The limited partnerships are involved in housing projects in the System's Baltimore market. System affiliates have entered into guaranty agreements with the limited partnerships during 1997 through 2010, whereby they have agreed to advance funds to the partnerships under specified conditions. The termination of each guaranty agreement is predicated on the occurrence of certain events. All such guaranty agreements are still in effect as of August 31, 2012. System affiliates have not been obligated to make any guarantee payments under the guaranty agreements to date through August 31, 2012. The maximum potential amount of future payments the System affiliates are obligated to make was \$6,849 and \$14,795 as of August 31, 2012 and 2011, respectively.

(14) Net Assets

BSHSI's endowments consist of approximately 79 individual funds established for a variety of purposes. Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor or board-imposed restrictions and the nature of the restrictions, if any.

The System's endowment net assets are comprised of permanently restricted funds, which were \$8,044 and \$6,854 at August 31, 2012 and 2011, respectively. The System does not hold any board-designated endowment funds within unrestricted net assets or temporarily restricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no significant deficiencies at August 31, 2012 and 2011.

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The System has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period as well as board-designated funds. The practice allows the endowment assets to be invested in a manner that is intended to produce investment returns that exceed the price and yield the results of the allocation index while assuming a moderate level of investment risk. The System expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The System uses diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

BSHSI has a practice of distributing the major portion of current year earnings on the endowment funds, if the restrictions have been met. This is consistent with the System's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(15) Functional Expenses

The functional breakdown of expenses incurred by the System in fulfilling its mission for the years ended August 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Healthcare services	\$ 3,029,360	2,934,952
General and administrative	<u>301,147</u>	<u>288,446</u>
Total expenses	\$ <u>3,330,507</u>	<u>3,223,398</u>

(16) Subsequent Events

Management evaluated all events and transactions that occurred after August 31, 2012 and through October 30, 2012. The System did not have any material recognizable subsequent events during this period.