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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 10-01-2011 and ending 09-30-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization  
DEACONESS HOSPITAL INC

Doing Business As

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

600 MARY STREET

City or town, state or country, and ZIP + 4  
EVANSVILLE, IN 47747

F Name and address of principal officer  
SHAWN MCCOY CAO  
600 MARY STREET  
EVANSVILLE, IN 47747

H(a) Is this a group return for affiliates?

☐ Yes ☒ No

H(b) Are all affiliates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number ▶

D Employer identification number

35-0593390

E Telephone number

(812) 450-2370

G Gross receipts \$ 641,114,124

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

J Website: ▶ WWW.DEACONESS.COM

K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1895

M State of legal domicile IN

Part I	Summary																								
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities PROVIDE QUALITY HEALTH CARE SERVICES WITH A COMPASSIONATE AND CARING SPIRIT CONTINUE TO SCH O TO PERSONS, FAMILIES AND COMMUNITIES OF THE TRI-STATE</div></div>																								
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Part II Signature Block

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

Sign Here

Signature of officer

2013-02-11

SHAWN MCCOY CHIEF ADMINISTRATIVE OFFICER

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

ANGELA L ZIRKELBACH CPA

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)  
P00572603

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

BLUE & CO LLC  
ONE AMERICAN SQUARE 2200  
INDIANAPOLIS, IN 46282

EIN ▶ 35-1178661

Phone no ▶ (317) 633-4705

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 III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

SEE SCHEDULE O

2

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

Yes

No

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

3

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

Yes

No

If "Yes," describe these changes on Schedule O

4

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

4a

(Code ) (Expenses \$ 131,626,106 including grants of \$ ) (Revenue \$ 292,990,192 )

PATIENT SERVICE REVENUE SEE SCHEDULE O

4b

(Code ) (Expenses \$ 345,119,425 including grants of \$ ) (Revenue \$ 212,487,326 )

CHARITY CARE/SUBSIDIZED CARE SEE SCHEDULE O

4c

(Code ) (Expenses \$ 16,575,319 including grants of \$ ) (Revenue \$ 9,604,736 )

GRADUATE MEDICAL EDUCATION, MEDICAL EDUCATION AND COMMUNITY BENEFIT SEE SCHEDULE O

(Code ) (Expenses \$ 295,491 including grants of \$ 295,491 ) (Revenue \$ 26,285,383 )

ALL OTHER ACCOMPLISHMENTS - OTHER PROGRAM SERVICE REVENUE CONSISTS OF DEACONESS HOSPITAL'S INCOME FROM THE INVESTMENT IN JOINT VENTURES. OTHER PROGRAM SERVICE EXPENSES CONSISTED OF COMMUNITY BENEFIT GRANTS/ASSISTANCE

4d

Other program services (Describe in Schedule O )

(Expenses \$ 295,491 including grants of \$ 295,491 ) (Revenue \$ 26,285,383 )





















4e

Total program service expenses

\$ 493,616,341

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	<b>Section 501(c)(3) organizations.</b> 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	Yes
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, 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	Yes
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? <b>Note.</b> 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	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
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	Yes	
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> 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	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29	Yes	
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	Yes	
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		No
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	<b>Section 501(c)(3) organizations.</b> 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? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		<b>Yes</b>	<b>No</b>			
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	<b>1a</b>	463			
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0			
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes			
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	5,475			
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	Yes			
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	Yes			
<b>4a</b>	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)?	<b>4a</b>				No
<b>b</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.					
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>				No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>				No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>				
<b>6a</b>	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?	<b>6a</b>				No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>				
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>					
<b>a</b>	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?	<b>7a</b>	Yes			
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>	Yes			
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>				No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>				
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>				No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>				No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>				
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>				
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>				No
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>					
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>				No
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>				No
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter					
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>				
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>				
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter					
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>				
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>				
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>				
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>				
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>					
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> 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.	<b>13a</b>				
<b>b</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.	<b>13b</b>				
<b>c</b>	Enter the aggregate amount of reserves on hand.	<b>13c</b>				
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>				No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>				

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	15		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	8
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	No
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	Yes

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	IN
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.	
	JOHN L ZABROWSKI 600 MARY STREET EVANSVILLE, IN 47747 (812) 450-3467	

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

**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 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

[illegible]



## Part VII

<b>1b</b>	<b>Sub-Total</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A</b>			
<b>d</b>	<b>Total (add lines 1b and 1c)</b>	7,913,112	1,096,850	1,082,609

**2** Total number of individuals (including but not limited to those listed in Item 1) who received or accrued more than \$100,000 of reportable compensation from the organization in 19

		Yes	No
3	Did the organization list any <b>former</b> 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
EVANSVILLE SURGERY CENTER ASSOC LLC 520 MARY STREET EVANSVILLE, IN 47710	SURGICAL SERVICES	23,972,871
BOVIS LEND LEASE INC 1801 W END AVE SUITE 600 NASHVILLE, TN 37203	BUILDING CONTRACTOR	10,608,493
EPIC SYSTEMS CORPORATION PO BOX 88314 MILWAUKEE, WI 53288	SOFTWARE/ CONSULTING	4,005,528
WINK CONSTRUCTION INC 4007 E EICHEL AVE EVANSVILLE, IN 47716	BUILDING CONTRACTOR	3,621,309
ARUP LABORATORIES PO BOX 27964 SALT LAKE CITY, UT 84127	LABORATORY	2,352,797
<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization <b>65</b>		

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	220,865				
	d	Related organizations . . . .	1d					
	e	Government grants (contributions)	1e	193,175				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,474,734				
	g	Noncash contributions included in lines 1a-1f \$ 102,025						
	h	Total. Add lines 1a-1f . . . . .		1,888,774				
Program Service Revenue			Business Code					
	2a	NET PATIENT REVENUE	900099	515,082,254	515,082,254			
	b							
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		515,082,254				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		7,813,968			7,813,968	
	4	Income from investment of tax-exempt bond proceeds . .		58,728			58,728	
	5	Royalties . . . . .						
	6a	(i) Real		(ii) Personal				
		Gross rents	6,935,231					
		b Less rental expenses	2,690,232					
		c Rental income or (loss)	4,244,999					
	d	Net rental income or (loss) . . . . .		4,244,999			4,244,999	
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory	60,969,504	812,525				
		b Less cost or other basis and sales expenses	60,465,442	727,336				
		c Gain or (loss)	504,062	85,189				
	d	Net gain or (loss) . . . . .		589,251			589,251	
	8a	Gross income from fundraising events (not including \$ 220,865 of contributions reported on line 1c) See Part IV, line 18 . . . . .						
	a		44,825					
	b	Less direct expenses . . . . .	b	151,294				
	c	Net income or (loss) from fundraising events . .		-106,469			-106,469	
	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	INVESTMENT IN JOINT VE	900099	26,285,383	26,285,383				
b	LABORATORY SALES	621500	9,363,304		9,363,304			
c	CMS MEANINGFUL USE	900099	5,133,258			5,133,258		
d	All other revenue . . . . .		6,726,370		448,585	6,277,785		
e	Total. Add lines 11a-11d . . . . .		47,508,315					
12	Total revenue. See Instructions . . . . .		577,079,820	541,367,637	9,811,889	24,011,520		

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	295,491	295,491		
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 . . . . .	5,488,042		5,488,042	
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	184,691,884	179,433,742	5,015,523	242,619
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	14,434,823	13,182,288	1,252,535	
9	Other employee benefits . . . . .	30,056,632	28,321,107	1,735,525	
10	Payroll taxes . . . . .	13,081,915	12,363,801	718,114	
11	Fees for services (non-employees)				
a	Management . . . . .				
b	Legal . . . . .	1,297,689	663,861	633,828	
c	Accounting . . . . .	152,918		152,918	
d	Lobbying . . . . .	35,357		35,357	
e	Professional fundraising See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .	321,564		305,007	16,557
g	Other . . . . .	58,405,092	57,069,225	1,327,760	8,107
12	Advertising and promotion . . . . .	1,052,706	124,481	928,225	
13	Office expenses . . . . .	12,051,339	10,953,155	1,052,201	45,983
14	Information technology . . . . .	9,236,220	8,004,741	1,231,479	
15	Royalties . . . . .				
16	Occupancy . . . . .	16,454,021	14,990,209	1,463,812	
17	Travel . . . . .	820,924	702,411	118,513	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .	956,099	788,967	163,667	3,465
20	Interest . . . . .	9,043,962	9,035,462	8,500	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	34,529,998	32,537,629	1,992,363	6
23	Insurance . . . . .	1,956,557	1,949,666	6,891	
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/SURGICAL SUPPLI	81,329,465	81,241,139	88,326	
b	MEDICAID ASSESSMENT FEE	22,794,075	22,794,075		
c	EQUIP RENTAL/MAINTENANC	12,098,327	11,906,304	192,023	
d	AGENCY COLLECTION FEES	5,632,983	5,632,983		
e					
f	All other expenses	2,508,902	1,625,604	721,596	161,702
25	Total functional expenses. Add lines 1 through 24f	518,726,985	493,616,341	24,632,205	478,439
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 . . . . .				1	
	2	Savings and temporary cash investments . . . . .			47,488,383	2	54,671,462
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			106,649,065	4	88,496,093
	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 . . . . .			959,016	7	980,947
	8	Inventories for sale or use . . . . .			4,376,580	8	5,592,070
	9	Prepaid expenses and deferred charges . . . . .			4,629,844	9	4,566,672
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	716,627,726			
	b	Less accumulated depreciation . . . . .	10b	387,918,977	334,521,835	10c	328,708,749
	11	Investments—publicly traded securities . . . . .			195,636,448	11	270,497,387
	12	Investments—other securities See Part IV, line 11 . . . . .			30,511,704	12	33,696,074
	13	Investments—program-related See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .			15,522,009	14	15,522,009
	15	Other assets See Part IV, line 11 . . . . .			17,690,719	15	17,089,623
	16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			757,985,603	16	819,821,086
Liabilities	17	Accounts payable and accrued expenses . . . . .			50,492,334	17	59,087,211
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .			110,174	19	244,662
	20	Tax-exempt bond liabilities . . . . .			219,073,884	20	205,620,955
	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 . . . . .			91,530,642	25	117,610,819
	26	Total liabilities. Add lines 17 through 25 . . . . .			361,207,034	26	382,563,647
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 . . . . .			393,304,791	27	432,200,551
	28	Temporarily restricted net assets . . . . .			2,781,774	28	3,293,842
	29	Permanently restricted net assets . . . . .			692,004	29	1,763,046
	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 . . . . .			396,778,569	33	437,257,439
	34	Total liabilities and net assets/fund balances . . . . .			757,985,603	34	819,821,086

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	577,079,820
2	Total expenses (must equal Part IX, column (A), line 25)	2	518,726,985
3	Revenue less expenses Subtract line 2 from line 1	3	58,352,835
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	396,778,569
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-17,873,965
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	437,257,439

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization DEACONESS HOSPITAL INC	Employer identification number 35-0593390
--	--

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 Se**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	(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	(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 DEACONESS HOSPITAL INC	Employer identification number 35-0593390
--	--

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?		<input type="checkbox"/> Yes <input type="checkbox"/> 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
<b>1</b>	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			
	<b>a</b> Volunteers?		No	
	<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	<b>c</b> Media advertisements?		No	
	<b>d</b> Mailings to members, legislators, or the public?		No	
	<b>e</b> Publications, or published or broadcast statements?		No	
	<b>f</b> Grants to other organizations for lobbying purposes?		No	
	<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	<b>i</b> Other activities? If "Yes," describe in Part IV	Yes		35,357
	<b>j</b> Total lines 1c through 1i			35,357
<b>2a</b>	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
<b>b</b>	If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b>	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b>	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	LOBBYING EXPENDITURES CONSISTED OF A PORTION OF MEMBERSHIP DUES TO PROFESSIONAL ORGANIZATIONS IN WHICH DEACONESS HOSPITAL AND ITS EMPLOYEES ARE MEMBERS. THE LOBBYING PORTION OF THE DUES IS NOTED ON THE MEMBERSHIP APPLICATION OR BILLING STATEMENT.

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
DEACONESS HOSPITAL INC

Employer identification number  
35-0593390

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?	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	
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	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	

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

▶ \$ \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2011

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

**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
<b>1c</b>	
<b>1d</b>	
<b>1e</b>	
<b>1f</b>	

**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
<b>1a</b> Beginning of year balance . . . . .	8,353,428	8,130,489	7,433,786	7,797,671	
<b>b</b> Contributions . . . . .	6,871	1,293,267	1,683,536	931,781	
<b>c</b> Investment earnings or losses . . . . .	541,295	294,514	281,910	337,059	
<b>d</b> Grants or scholarships . . . . .		7,052	192,998	329,950	
<b>e</b> Other expenditures for facilities and programs . . . . .	3,357,168	1,048,880	790,792	1,014,396	
<b>f</b> Administrative expenses . . . . .		308,910	284,953	288,387	
<b>g</b> End of year balance . . . . .	5,544,426	8,353,428	8,130,489	7,433,778	

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

- a** Board designated or quasi-endowment ▶ 85 000 %
- b** Permanent endowment ▶ 15 000 %
- c** Term endowment ▶

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

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

**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
<b>1a</b> Land . . . . .	495,397	9,820,472		10,315,869
<b>b</b> Buildings . . . . .	42,755,830	416,033,381	218,868,044	239,921,167
<b>c</b> Leasehold improvements . . . . .				
<b>d</b> Equipment . . . . .		238,119,700	169,050,933	69,068,767
<b>e</b> Other . . . . .		9,402,946		9,402,946
<b>Total.</b> Add lines 1a-1e <i>(Column (d) should equal Form 990, Part X, column (B), line 10(c).)</i> . . . . . ▶				328,708,749



Part XIReconciliation 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 XIIReconciliation 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	2e	
3	Subtract line 2e from line 1 . . . . .3	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	4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .5	5	

Part XIIIReconciliation 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	2e	
3	Subtract line 2e from line 1 . . . . .3	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	4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .5	5	

Part XIVSupplemental 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
		PART V, LINE 1E ENDOWMENT FUNDS CONTRIBUTIONS INCLUDE CURRENT YEAR EXPENDITURE OF \$53,098 AND A \$3,304,070 RECLASSIFICATION OF PRIOR YEAR CONTRIBUTIONS DETERMINED TO NOT MEET THE DEFINITION OF AN ENDOWMENT UNDER ASC 958-210 AND 958-225 (CHANGE IN UNDERSTANDING ) PART V, LINE 4 THE DEACONESS HOSPITAL FOUNDATION UTILIZES ENDOWMENT FUNDS TO SUPPORT AND BENEFIT THE MISSION OF DEACONESS HOSPITAL SPECIFICALLY, ENDOWMENT FUNDS ARE USED TO HELP SUPPORT ACTIVITIES OR PROJECTS THAT HELP TO PROVIDE QUALITY HEALTHCARE SERVICES WITH A COMPASSIONATE AND CARING SPIRIT TO PERSONS, FAMILIES, AND COMMUNITIES OF THE TRI-STATE PART VII AND IX SECTIONS ARE NOT COMPLETED AS THE TOTALS FOR EACH LINE ARE LESS THAN 5% OF THE TOTAL ASSETS LISTED ON PART X, LINE 16 PART X, LINE 2 ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA REQUIRE MANAGEMENT TO EVALUATE TAX POSITIONS TAKEN BY THE SYSTEM AND RECOGNIZE A TAX LIABILITY IF THE SYSTEM HAS TAKEN AN UNCERTAIN POSITION THAT MORE LIKELY THAN NOT WOULD NOT BE SUSTAINED UPON EXAMINATION BY VARIOUS FEDERAL AND STATE TAXING AUTHORITIES MANAGEMENT HAS ANALYZED THE TAX POSITIONS TAKEN BY THE SYSTEM AND HAS CONCLUDED THAT AS OF SEPTEMBER 30, 2012 AND 2011, THERE ARE NO UNCERTAIN POSITIONS TAKEN OR EXPECTED TO BE TAKEN THAT WOULD REQUIRE RECOGNITION OF A LIABILITY OR DISCLOSURE IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS THE SYSTEM IS SUBJECT TO ROUTINE AUDITS BY TAXING JURISDICTIONS, HOWEVER, THERE ARE CURRENTLY NO AUDITS FOR ANY TAX PERIODS IN PROGRESS PART XI, XII, AND XIII SECTIONS ARE NOT REQUIRED AS THE ORGANIZATION IS PART OF A CONSOLIDATED FINANCIAL STATEMENT THE CONSOLIDATED FINANCIAL STATEMENT IS AUDITED BY AN INDEPENDANT ACCOUNTING FIRM AND IS PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES



SCHEDULE G  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information Regarding  
Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19,  
or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization  
DEACONESS HOSPITAL INC

Employer identification number  
35-0593390

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1

Indicate whether the organization raised funds through any of the following activities. Check all that apply.

a

☐ Mail solicitations

b

☐ Internet and e-mail solicitations

c

☐ Phone solicitations

d

☐ In-person solicitations

e

☐ Solicitation of non-government grants

f

☐ Solicitation of government grants

g

☐ Special fundraising events

2a

Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services?

☐ Yes ☐ No

b

If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization. Form 990-EZ filers are not required to complete this table.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
Total . . . . . ▶						

3

List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing.

Part II Fundraising Events.

Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		DH PARTY OF YR (event type)	DH CLASSIC (event type)	0 (total number)	(Add col (a) through col (c))
Revenue	1	Gross receipts . . . .	154,465	111,225	265,690
	2	Less Charitable contributions . . . .	127,665	93,200	220,865
	3	Gross income (line 1 minus line 2) . . . .	26,800	18,025	44,825
Direct Expenses	4	Cash prizes . . . .			
	5	Non-cash prizes . . . .	37,330		37,330
	6	Rent/facility costs . . . .	3,527		3,527
	7	Food and beverages . . . .	42,299	18,376	60,675
	8	Entertainment . . . .	7,350	15,163	22,513
	9	Other direct expenses . . . .	20,802	6,447	27,249
	10	Direct expense summary Add lines 4 through 9 in column (d) . . . . . ▶			( 151,294 )
	11	Net income summary Combine lines 3 and 10 in column (d). . . . . ▶			-106,469

Part III Gaming.

Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming
					(Add col (a) through col (c))
Revenue	1	Gross revenue . . . . .			
	2	Cash prizes . . . . .			
Direct Expenses	3	Non-cash prizes . . . . .			
	4	Rent/facility costs . . . . .			
	5	Other direct expenses . . . . .			
	6	Volunteer labor . . . . .	<input type="checkbox"/> Yes ..... <input type="checkbox"/> No	<input type="checkbox"/> Yes ..... <input type="checkbox"/> No	<input type="checkbox"/> Yes ..... <input type="checkbox"/> No
7 Direct expense summary Add lines 2 through 5 in column (d) . . . . . ▶					( )
8 Net gaming income summary Combine lines 1 and 7 in column (d) . . . . . ▶					

9 Enter the state(s) in which the organization operates gaming activities \_\_\_\_\_

a Is the organization licensed to operate gaming activities in each of these states? . . . . . ☐ Yes ☐ No

b If "No," Explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? . . . . . ☐ Yes ☐ No

b If "Yes," Explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 11

Does the organization operate gaming activities with nonmembers?

Yes

No
- 12

Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?

Yes

No

13

Indicate the percentage of gaming activity operated in

a	The organization's facility	13a
b	An outside facility	13b

14

Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name

Address

15a

Does the organization have a contract with a third party from whom the organization receives gaming revenue?

Yes

No

b

If "Yes," enter the amount of gaming revenue received by the organization \$ and the amount of gaming revenue retained by the third party \$

c

If "Yes," enter name and address

Name

Address

16

Gaming manager information

Name

Gaming manager compensation

\$

Description of services provided

Director/officer

Employee

Independent contractor

17

Mandatory distributions

a

Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?

Yes

No

b

Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year \$

Part IV

Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation
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SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

**Name of the organization**  
DEACONESS HOSPITAL INC

**Employer identification number**  
35-0593390

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 type="checkbox"/> 200%<input checked="" type="checkbox"/> Other <u>300.000000000000 %</u></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 type="checkbox"/> 200%<input type="checkbox"/> 250%<input checked="" 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	3a	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was 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) . . . . .			25,309,166		25,309,166	4 450 %
b Medicaid (from Worksheet 3, column a) . . . . .			79,155,354	56,932,374	22,222,980	3 910 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .			104,464,520	56,932,374	47,532,146	8 360 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			814,012	66,774	747,238	0 130 %
f Health professions education (from Worksheet 5) . . . . .			4,191,775	1,625,455	2,566,320	0 450 %
g Subsidized health services (from Worksheet 6) . . . . .			8,492,145	6,157,038	2,335,107	0 410 %
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			1,334,642	384,229	950,413	0 170 %
j <b>Total</b> Other Benefits . . . . .			14,832,574	8,233,496	6,599,078	1 160 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			119,297,094	65,165,870	54,131,224	9 520 %

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			4,125		4,125	0 %
2Economic development			1,000		1,000	0 %
3Community support			10,892	150	10,742	0 %
4Environmental improvements						
5Leadership development and training for community members			6,250		6,250	0 %
6Coalition building			9,313		9,313	0 %
7Community health improvement advocacy			1,738		1,738	0 %
8Workforce development			43,173	14,770	28,403	0 010 %
9Other						
10Total			76,491	14,920	61,571	0 010 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	212,385,603	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	30	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5127,812,982	
6	Enter Medicare allowable costs of care relating to payments on line 5	6142,292,362	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7-14,479,380	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

Section C. Collection Practices

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

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 %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

## Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 3

## Name and address

**Schedule H (Form 990) 2011**

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)

DEACONESS HOSPITAL INC

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		
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 <u>300 00000000000000</u> % 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>300 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 checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input 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 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" 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 checked="" 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	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <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? . . . . . If "No," indicate why	Yes	
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 checked="" 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? . . . . . If "Yes," explain in Part VI	20	No
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? . . . . . If "Yes," explain in Part VI	21	No

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)

DEACONESS GATEWAY HOSPITAL

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 <u>300 0000000000000</u> % 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>300 0000000000000%</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 checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input 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 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" 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 checked="" 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	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <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? . . . . . If "No," indicate why	Yes	
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 checked="" 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? . . . . . If "Yes," explain in Part VI	20	No
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? . . . . . If "Yes," explain in Part VI	21	No

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)

DEACONESS CROSS POINTE

Name of Hospital Facility:\_\_\_\_\_

Line Number of Hospital Facility (from Schedule H, Part V, Section A):\_\_\_\_\_3\_\_\_\_\_

	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 <u>300 00000000000000</u> % 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>300 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 checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input 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 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" 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 checked="" 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	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <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? . . . . . If "No," indicate why	Yes	
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 checked="" 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? . . . . . If "Yes," explain in Part VI	20	No
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? . . . . . If "Yes," explain in Part VI	21	No

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? 47

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, 6l, 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 6A DEACONESS HOSPITAL PREPARES AN ANNUAL COMMUNITY BENEFIT REPORT THE REPORT IS MADE AVAILABLE IN THE FOLLOWING WAYS 1 MAILED TO ALL THE MAJOR EMPLOYERS IN THE TRI-STATE AREA 2 AN ADVERTISEMENT IS PLACED IN THE SUNDAY PAPER OF THE EVANSVILLE COURIER AND PRESS 3 IS MADE AVAILABLE ON THE DEACONESS WEBSITE AT HTTP //WWW DEACONESS COM/CAREERS/FOR-OUR-EMPLOYEES/ OUR-COMMUNITY/COMMUNITY-BENEFIT ASPX

Identifier	ReturnReference	Explanation
		PART I, LINE 7 A COST TO CHARGE RATIO WAS USED FOR MOST OF THE CALCULATIONS FOR THE TABLE IRS INSTRUCTION'S WORKSHEET 2 WAS USED FOR THIS CALCULATION WE DID NOT USE THE COST TO CHARGE RATIO FOR LINE 7G AS IT WAS NOT RELEVANT TO THESE SERVICES THE ACTUAL COST FROM OUR COSTING SYSTEM WAS USED WHEN AVAILABLE THE COST TO CHARGE RATIO FOR EACH SERVICE TYPE WAS USED TO ESTIMATE COST WHEN NOT AVAILABLE FROM OUR INTERNAL COSTING SYSTEM

Identifier	ReturnReference	Explanation
		PART I, LINE 7G SUBSIDIZED HEALTH SERVICES ATTRIBUTED TO PHYSICIAN CLINICS HAVE A COST OF \$259,516 THESE CLINICS ARE OPERATED AS A BENEFIT TO THE COMMUNITY

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE BAD DEBT EXPENSE IS NOT INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A) DUE TO EARLY ADOPTION OF ACCOUNTING STANDARDS UPDATE (ASU) 2011-07, HEALTHCARE ENTITIES (TOPIC 954) BAD DEBT EXPENSE DOES IMPACT NOT REMOVED FOR THE CALCULATION OF THE PERCENTAGE ON SCH H, PART I, LINE 7, COLUMN F

Identifier	ReturnReference	Explanation
		<p>PART II DEACONESS HOSPITAL AND ITS RELATED ORGANIZATIONS PARTICIPATE IN VARIOUS COMMUNITY BUILDING ACTIVITIES DEACONESS CROSS POINTE, A 60 BED INPATIENT PSYCHIATRIC HOSPITAL UNDER THE DEACONESS HOSPITAL LICENSE, IS A MEMBER OF THE SUICIDE PREVENTION COALITION VANDERBURGH COUNTY SUICIDES REACHED AN ALL TIME HIGH IN 2010 AND AS A RESULT OF THE COALITION, SUICIDES DROPPED BY 18 5% IN 2011 PRIOR TO 2011, VANDERBURGH COUNTY HAD ONE OF THE HIGHEST PER CAPITA SUICIDE RATES IN INDIANA DEACONESS CROSS POINTE OFFERS A VARIETY OF FREE SUICIDE AWARENESS AND PREVENTION PROGRAMS TO HELP REDUCE THE INCIDENCE OF SUICIDE IN THE TRI-STATE IN ADDITION, DEACONESS CROSS POINTE HOSTS AND CHAIRS THE SUICIDE PREVENTION COALITION DEACONESS HOSPITAL SPONSORS THE HEALTH SCIENCE INSTITUTE WHICH ALLOWS HIGH SCHOOL STUDENTS TO EXPERIENCE FIRSTHAND THE WONDERS OF MEDICINE AND MEDICAL RESEARCH THROUGH SEMINARS, CLINICAL EXPERIENCES, AND DEMONSTRATIONS INTERACTION WITH LEADING HEALTH CARE PROFESSIONALS BROADENS STUDENTS' KNOWLEDGE OF MEDICAL CARE AND CAREER OPPORTUNITIES IN HEALTH CARE AND HEALTH SCIENCES STUDENTS FROM SOUTHWESTERN INDIANA HIGH SCHOOLS ARE CHOSEN TO PARTICIPATE DEACONESS EMPLOYEES, LEADERS AND ADMINISTRATORS SERVE AS BOARD MEMBERS ON NUMEROUS COMMUNITY NON-PROFIT ORGANIZATIONS DEACONESS HOSPITAL HAS A STRONG PARTNERSHIP WITH ECHO COMMUNITY HEALTH CARE DEACONESS PROVIDES KEY SERVICES AND MONETARY DONATIONS TO THE ECHO COMMUNITY HEALTH CARE AND WORKS TO ENSURE THE COMMUNITY HAS HEALTH SERVICES PROVIDED TO THE UNDERSERVED POPULATION DEACONESS HOSPITAL HAS BEEN WORKING WITH ST MARY'S MEDICAL CENTER (ALSO A NON-PROFIT HOSPITAL), THE BAPTIST FOUNDATION AND ECHO COMMUNITY HEALTH CARE TO DEVELOP A COMMUNITY WIDE HEALTH ASSESSMENT THE GROUP HAS IDENTIFIED FOUR (4) KEY AREAS THAT THE COMMUNITY IS IN NEED OF THE FOUR ORGANIZATIONS CAME TOGETHER MONTHLY TO DISCUSS AND PLAN HOW TO ADDRESS THESE NEEDS THE PLAN IS TO BEGIN TO IMPLEMENT NEW PROGRAMS AND FOCUS RESOURCES IN THESE AREAS DURING THE COMING YEAR DEACONESS HOSPITAL DEVELOPED A MEDICATION ASSISTANCE PROGRAM (MAP) TO PROVIDE ASSISTANCE TO THOSE IN THE COMMUNITY WHO HAVE FINANCIAL DIFFICULTY IN OBTAINING THEIR MEDICATION THE PROGRAM HAS BEEN IN PLACE SINCE 2005 AND HAS MADE SIGNIFICANT IMPACT TO THE COMMUNITY IN FISCAL YEAR 2012, THERE WERE 1,219 ACTIVE PATIENTS IN THE PROGRAM THOSE PARTICIPANTS RECEIVED \$4,198,097 IN SAVINGS AND FREE MEDICATIONS EACH MONTH AN AVERAGE OF OVER 600 PATIENTS APPLY FOR ASSISTANCE IN THE PROGRAM WITH ALMOST 500 PER MONTH RECEIVING BENEFIT THE MAIN CAMPUS OF DEACONESS HOSPITAL IS LOCATED IN THE JACOBSTOWN NEIGHBORHOOD IN EVANSVILLE, INDIANA THIS IS A HIGHLY UNDERSERVED AREA IN THE EVANSVILLE COMMUNITY DEACONESS WORKS WITH THE ELEMENTARY SCHOOLS IN THIS AREA TO PROVIDE HEALTH EDUCATION AND DONATIONS TO ASSIST THE SCHOOLS DEACONESS HOSPITAL ALSO OPERATES A RESOURCE CENTER THAT PROVIDES A WIDE RANGE OF SERVICES TO THE COMMUNITY WITH A FOCUS ON WELLNESS THE RESOURCE CENTER HAD OVER 19,000 ENCOUNTERS DURING FISCAL YEAR 2012 THE RESOURCE CENTER OPERATED AT A LOSS ON OPERATIONS DURING THAT TIME</p>

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 SECTION A BAD DEBT EXPENSE LINE 2 FOOTNOTE TO ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSE AS PERMITTED, EFFECTIVE SEPTEMBER 1, 2011, THE SYSTEM ELECTED TO EARLY ADOPT ACCOUNTING STANDARDS UPDATE (ASU) 2011-07, HEALTHCARE ENTITIES (TOPIC 954), "PRESENTATION AND DISCLOSURE OF PATIENT SERVICE REVENUE, PROVISION FOR BAD DEBTS, AND THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR CERTAIN HEALTHCARE ENTITIES," WHICH REQUIRES CERTAIN HEALTHCARE ENTITIES TO PRESENT THE PROVISION FOR BAD DEBTS RELATING TO PATIENT SERVICE REVENUE AS A DEDUCTION FROM PATIENT SERVICE REVENUE IN THE CONSOLIDATED STATEMENT OF OPERATIONS RATHER THAN AS AN OPERATING EXPENSE ALL PERIODS PRESENTED HAVE BEEN RECLASSIFIED TO CONFORM TO THIS PRESENTATION THE SYSTEM'S ADOPTION OF THIS STANDARD HAD NO NET IMPACT ON THE CONSOLIDATED FINANCIAL POSITION, RESULTS OF OPERATIONS, OR CASH FLOWS ASU 2011-07 ALSO REQUIRES HEALTHCARE ENTITIES TO PROVIDE ENHANCED DISCLOSURE ABOUT THEIR POLICIES FOR RECOGNIZING REVENUE AND ASSESSING BAD DEBTS, AS WELL AS QUALITATIVE AND QUANTITATIVE INFORMATION ABOUT CHANGES IN THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS (BELOW IS THE PORTION OF THE AUDITED FINANCIAL STATEMENT FOOTNOTE "PATIENT ACCOUNTS RECEIVABLE, ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS AND NET PATIENT SERVICE REVENUE" RELATED TO BAD DEBTS ) PATIENT ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED ON THE SYSTEM'S EVALUATION OF ITS MAJOR PAYOR SOURCES OF REVENUE, THE AGING OF THE ACCOUNTS, HISTORICAL LOSSES, CURRENT ECONOMIC CONDITIONS, AND OTHER FACTORS UNIQUE TO ITS SERVICE AREA AND THE HEALTHCARE INDUSTRY MANAGEMENT REGULARLY REVIEWS DATA ABOUT THE MAJOR PAYOR SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE SYSTEM ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PAYMENTS THE SYSTEM RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE SOURCE USED TO DETERMINE THE AMOUNT OF MEDICARE REVENUE AND ALLOWABLE COSTS REPORTED FOR PART III, SECTION B, LINE 8 THE MEDICARE TOTAL REVENUE AND ALLOWABLE COSTS WERE ESTIMATED BASED UPON THE 2011 MEDICARE COST REPORT AND THE 2012 CONTRACTUAL MODEL FOR EXPECTED REIMBURSEMENT THE MEDICARE SHORTFALL FOR DEACONESS HOSPITAL IS TREATED AS COMMUNITY BENEFIT DUE TO THE HOSPITAL PROVIDING CARE TO MEDICARE PATIENTS AT LESS THAN THE ALLOWABLE MEDICARE COSTS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B DEACONESS HOSPITAL MAKES A DISTINCTION BETWEEN CHARITY AND BAD DEBT IN DETERMINING AN INDIVIDUAL OR FAMILY'S ABILITY TO PAY, DEACONESS HOSPITAL EVALUATES WHETHER OR NOT THE RESPONSIBLE PARTY HAS SUFFICIENT RESOURCES FOR PAYMENT IF AN INDIVIDUAL IS DETERMINED TO NOT HAVE SUFFICIENT RESOURCES TO PAY, THEY WILL BE CONSIDERED ELIGIBLE FOR CHARITY CARE AND WILL NOT BE PROCESSED THROUGH EITHER INTERNAL OR EXTERNAL COLLECTIONS ACCOUNTS OF CHARITY CARE PATIENTS WHO ARE UNABLE TO PAY DO NOT RESULT IN BAD DEBT AND ARE NOT COLLECTED UPON



Identifier	ReturnReference	Explanation
DEACONESS HOSPITAL, INC		PART V, SECTION B, LINE 13G DEACONESS HOSPITAL SEEKS OUT THE PATIENTS THAT ARE SELF-PAY AND INTERVIEWS THESE PATIENTS WHILE THEY ARE IN THE FACILITY THE FINANCIAL ASSISTANCE POLICY IS PROMOTED TO PATIENTS DEACONESS HOSPITAL SEEKS OUT THOSE PATIENTS THAT WOULD QUALIFY FOR THE FINANCIAL ASSISTANCE POLICY COLLECTABILITY SCORING IS ALSO COMPLETED AND ALLOWANCES ARE MADE BASED UPON THESE SCORES

Identifier	ReturnReference	Explanation
DEACONESS GATEWAY HOSPITAL		PART V, SECTION B, LINE 13G DEACONESS HOSPITAL SEEKS OUT THE PATIENTS THAT ARE SELF-PAY AND INTERVIEWS THESE PATIENTS WHILE THEY ARE IN THE FACILITY THE FINANCIAL ASSISTANCE POLICY IS PROMOTED TO PATIENTS DEACONESS HOSPITAL SEEKS OUT THOSE PATIENTS THAT WOULD QUALIFY FOR THE FINANCIAL ASSISTANCE POLICY COLLECTABILITY SCORING IS ALSO COMPLETED AND ALLOWANCES ARE MADE BASED UPON THESE SCORES

Identifier	ReturnReference	Explanation
DEACONESS CROSS POINTE		PART V, SECTION B, LINE 13G DEACONESS HOSPITAL SEEKS OUT THE PATIENTS THAT ARE SELF-PAY AND INTERVIEWS THESE PATIENTS WHILE THEY ARE IN THE FACILITY THE FINANCIAL ASSISTANCE POLICY IS PROMOTED TO PATIENTS DEACONESS HOSPITAL SEEKS OUT THOSE PATIENTS THAT WOULD QUALIFY FOR THE FINANCIAL ASSISTANCE POLICY COLLECTABILITY SCORING IS ALSO COMPLETED AND ALLOWANCES ARE MADE BASED UPON THESE SCORES

Identifier	ReturnReference	Explanation
DEACONESS HOSPITAL, INC		PART V, SECTION B, LINE 19D DEACONESS HOSPITAL OFFERS A 35% DISCOUNT TO INDIVIDUALS WHO DO NOT HAVE INSURANCE AND RECEIVE EMERGENCY OR OTHER MEDICALLY NECESSARY CARE THIS DISCOUNT APPROXIMATES AN AVERAGE OF ALL CONTRACTED DISCOUNTS

Identifier	ReturnReference	Explanation
DEACONESS GATEWAY HOSPITAL		PART V, SECTION B, LINE 19D DEACONESS HOSPITAL OFFERS A 35% DISCOUNT TO INDIVIDUALS WHO DO NOT HAVE INSURANCE AND RECEIVE EMERGENCY OR OTHER MEDICALLY NECESSARY CARE THIS DISCOUNT APPROXIMATES AN AVERAGE OF ALL CONTRACTED DISCOUNTS

Identifier	ReturnReference	Explanation
DEACONESS CROSS POINTE		PART V, SECTION B, LINE 19D DEACONESS HOSPITAL OFFERS A 35% DISCOUNT TO INDIVIDUALS WHO DO NOT HAVE INSURANCE AND RECEIVE EMERGENCY OR OTHER MEDICALLY NECESSARY CARE THIS DISCOUNT APPROXIMATES AN AVERAGE OF ALL CONTRACTED DISCOUNTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 DEACONESS HOSPITAL'S COMMUNITY BENEFIT COMMITTEE GATHERS AND ANALYZES HOSPITAL AND COMMUNITY DATA TO INDICATE COMMUNITY NEEDS IN ADDITION DURING FISCAL YEAR 2012, DEACONESS HOSPITAL PARTICIPATED IN COMMISSIONING A STUDY BY PROFESSIONAL RESEARCH CONSULTANTS, INC TO PROVIDE A DETAILED STUDY ON THE SOUTHERN INDIANA COMMUNITY AND TO DETERMINE ITS NEEDS BASED UPON THE STUDY, DEACONESS HOSPITAL WILL BE IMPLEMENTING STRATEGIES AROUND COMMUNITY BENEFIT TO FOCUS ON THE AREAS OF NEED IN FISCAL YEAR 2013 THE COMMITTEE USES A DYNAMIC, ONGOING PROCESS TO INCLUDE A REVIEW OF PREVIOUS OR CURRENT ASSESSMENTS BY OTHER COMMUNITY GROUPS, PRESENTATIONS MADE BY OUTSIDE GROUPS SOLICITING DEACONESS HOSPITAL'S INVOLVEMENT IN COMMUNITY INITIATIVES, REVIEW OF HEALTH AND DEMOGRAPHIC INFORMATION OF INPATIENTS AND OUTPATIENTS, AND ANALYSIS OF INFORMATION FROM OUTSIDE ORGANIZATIONS AND INTERNAL RECORDS TO IDENTIFY TRENDS AND AREAS OF CONCERN REQUIRING ATTENTION

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 DEACONESS HOSPITAL UTILIZES FINANCIAL COUNSELORS TO EDUCATE, INFORM AND ASSIST PATIENTS AND FAMILIES IN UNDERSTANDING THEIR FINANCIAL OBLIGATION, ABILITY TO QUALIFY FOR FINANCIAL ASSISTANCE THROUGH DEACONESS HOSPITAL'S FINANCIAL ASSISTANCE PROGRAM AND PAYMENT OPTIONS SPECIFICALLY, FINANCIAL COUNSELORS STAFF THE EMERGENCY DEPARTMENT, REGISTRATION AREAS, CASHIER AREA, AS WELL AS, FLOAT AMONG INPATIENT AREAS TO ENSURE EACH AND EVERY PATIENT REQUIRING ASSISTANCE IS REACHED IN ADDITION TO THE PERSONAL AND INDIVIDUALIZED COUNSELING PROVIDED BY THE FINANCIAL COUNSELORS, VARIOUS FORMS OF MEDIA ARE DISTRIBUTED THROUGHOUT DEACONESS HOSPITAL EXPLAINING THE FINANCIAL ASSISTANCE PROCESS ADDITIONALLY, POLICIES FOR FINANCIAL ASSISTANCE ARE POSTED WIDELY THROUGHOUT DEACONESS HOSPITAL AND ON THE INTERNET AT WWW DEACONESS COM HTTP //WWW DEACONESS COM/DEACONESSHOSPITAL/BUSINESS -OFFICE/FINANCIAL-ASSISTANCE ASPX



Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 DEACONESS HOSPITAL IS A MAJOR REFERRAL CENTER FOR A 25-COUNTY TRI-STATE AREA IN SOUTHWESTERN INDIANA, WESTERN KENTUCKY AND SOUTHEASTERN ILLINOIS THE HOSPITAL AND ITS FACILITIES ARE LOCATED ON FOUR CAMPUSES WHICH INCLUDE THE MAIN 28-ACRE CAMPUS ON THE NEAR NORTH SIDE OF EVANSVILLE IN VANDERBURGH COUNTY, THE 63-ACRE GATEWAY CAMPUS LOCATED IN WARRICK COUNTY ON THE EASTERN BORDER OF VANDERBURGH COUNTY, AND TWO OTHER EASTSIDE EVANSVILLE LOCATIONS FOR PSYCHIATRIC BEHAVIORAL SERVICES AND REHABILITATION SERVICES THE HOSPITAL OPERATES A MAIN CAMPUS WITH A TOTAL OF 305 BEDS CONSISTING OF 38 INTENSIVE CARE BEDS, 16 CARDIAC INTENSIVE CARE BEDS, 66 CARDIAC BEDS, 23 ONCOLOGY/ PULMONOLOGY BEDS, 61 ORTHOPAEDIC/ NEUROLOGICAL BEDS, 96 MEDICAL/ SURGICAL BEDS AND 5 HOSPICE BEDS IN ADDITION, THE HOSPITAL PROVIDES A FULL-ARRAY OF COMPREHENSIVE OUTPATIENT AND AMBULATORY SERVICES ON ITS MAIN CAMPUS AND OTHER SPECIFIC SERVICES AT MULTIPLE SITES WITHIN ITS PRIMARY AND SECONDARY SERVICE AREAS THE HOSPITAL OPERATES THE 158 BED DEACONESS GATEWAY HOSPITAL WHICH WAS OPENED IN JANUARY 2006, ON THE GATEWAY CAMPUS CONSISTING OF 13 ADULT INTENSIVE CARE BEDS, 17 PEDIATRIC AND PEDIATRIC INTENSIVE CARE BEDS, 16 NEUROSURGICAL BEDS, 32 ORTHOPAEDIC BEDS, 16 NEURO INTENSIVE CARE BEDS, 32 SURGICAL ONCOLOGY BEDS, AND 32 GENERAL MED/ TELEMETRY BEDS THE HOSPITAL PROVIDES A FULL ARRAY OF COMPREHENSIVE OUTPATIENT AND AMBULATORY SERVICE ON THE GATEWAY CAMPUS THE HOSPITAL OWNS AND OPERATES DEACONESS CROSS POINTE, A FREE-STANDING, 60-BED INPATIENT PSYCHIATRIC HOSPITAL LOCATED APPROXIMATELY 7 MILES EAST OF THE MAIN CAMPUS IN EVANSVILLE ALSO, THE HOSPITAL IS AN OWNER IN THREE JOINT VENTURE HOSPITALS 1 DEACONESS WOMEN'S HOSPITAL OF SOUTHERN INDIANA, LLC D/B/A THE WOMEN'S HOSPITAL, A FREE STANDING SPECIALTY 74-BED WOMEN'S AND INFANT'S HOSPITAL, LOCATED ON THE GATEWAY CAMPUS 2 HEALTHSOUTH/DEACONESS, LLC D/B/A TRI-STATE REGIONAL REHABILITATION HOSPITAL, A 80-BED INPATIENT ACUTE REHABILITATION HOSPITAL, LOCATED APPROXIMATELY 8 MILES TO THE SOUTHEAST OF THE MAIN CAMPUS 3 THE HEART HOSPITAL AT DEACONESS GATEWAY, LLC, A 24-BED CARDIOVASCULAR SPECIALTY HOSPITAL, RESIDING ON THE GATEWAY CAMPUS THE HOSPITAL PLAYS AN ACTIVE ROLE IN MEDICAL EDUCATION, OPERATING A THREE YEAR FAMILY MEDICINE RESIDENCY PROGRAM, A POST-GRADUATE PHARMACY RESIDENT PROGRAM, AND SEVERAL UNDERGRADUATE MEDICAL AFFILIATIONS THE HOSPITAL ALSO PROVIDES CONTINUING MEDICAL EDUCATION PROGRAMS FOR ATTENDING PHYSICIANS, OTHER HEALTH PROFESSIONALS, OTHER ALLIED HEALTH PROGRAMS, AND THE COMMUNITY AT LARGE THE HOSPITAL, THROUGH ITS RELATED CORPORATIONS, PROVIDES OUTREACH SERVICES TO NURSING HOMES, PHYSICIANS' OFFICES AND SURROUNDING SMALLER HOSPITALS IN ITS SERVICE AREA</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE ORGANIZATION FURTHERS ITS EXEMPT PURPOSE BY PROMOTING HEALTH OF THE COMMUNITY INCLUDES A MAJORITY OF ORGANIZATION'S GOVERNING BODY IS INDEPENDENT AND COMPRISED OF PERSONS WHO RESIDED IN THE ORGANIZATION'S PRIMARY SERVICE AREA, EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY, AND APPLIES SURPLUS FUNDS TO IMPROVEMENTS IN PATIENT CARE

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 DEACONESS HOSPITAL WORKS IN CONCERT WITH DEACONESS HEALTH SYSTEM AND DEACONESS CLINIC TO PROVIDE HEALTHCARE SERVICES WITH A COMPASSIONATE AND CARING SPIRIT TO PERSONS, FAMILIES AND COMMUNITIES OF THE TRI-STATE DEACONESS HEALTH SYSTEM WORKS TO INCREASE ACCESS TO HEALTHCARE SERVICES WITHIN OUR COMMUNITY THROUGH DEACONESS HOSPITAL AND DEACONESS CLINIC DEACONESS HOSPITAL IS A MEDICAL INSTITUTION DEDICATED TO PROVIDING QUALITY PATIENT CARE WITH UNRELENTING ATTENTION TO CLINICAL EXCELLENCE, PATIENT SAFETY AND AN UNPARALLELED PASSION AND COMMITMENT TO ASSURE THE VERY BEST HEALTHCARE FOR THE PATIENTS SERVED DEACONESS CLINIC PROVIDES EXCELLENT PRIMARY AND MULTI-SPECIALTY HEALTHCARE IN A PERSONALIZED FASHION WITH A DEDICATED FOCUS TO SERVE THE COMMUNITY WITH EXCELLENT, TIMELY AND COMPASSIONATE PATIENT CARE

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	IN

## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 35-0593390  
**Name:** DEACONESS HOSPITAL 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**

[illegible]

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

[illegible]

Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization  
DEACONESS HOSPITAL INC

Employer identification number  
35-0593390

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2

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

15

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
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 DEACONESS HOSPITAL CONFIRMS ALL RECIPIENTS OF FUNDS ARE ORGAANIZATIONS WHOSE GOALS COINCIDE WITH DEACONESS' MISSION OF PROVIDING QUALITY HEALTH CARE WITH A COMPASSIONATE AND CARING SPIRIT THE ORGANIZATIONS PROVIDE NEEDED SERVICES TO OUR COMMUNITY TO IMPROVE HEALTH AND WELLNESS FOR THE CITIZENS IN THE SURROUNDING AREA

Software ID:  
Software Version:  
EIN: 35-0593390  
Name: DEACONESS HOSPITAL INC

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
YMCA OF SW INDIANA INC222 NW 6TH ST EVANSVILLE,IN 47708	35-0869074	3	21,600				GENERAL SUPPORT
EVANSVILLE MUSEUM OF ARTS AND SCIENCE411 SE RIVERSIDE DR EVANSVILLE,IN 47713	35-0874517	3	20,000				CAPITAL CAMPAIGN

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
GILDA'S CLUB EVANSVILLE INC PO BOX 5134 EVANSVILLE, IN 47716	26- 1932741	3	20,000				CAPITAL CAMPAIGN
JUNIOR LEAGUE OF EVANSVILLE123 N 4TH ST STE 422 EVANSVILLE, IN 47708	35- 6017802	3	15,500				GENERAL SUPPORT

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
KOMEN GREATER EVANSVILLE AFFILIATE4424 VOGEL RD STE 205 EVANSVILLE,IN 47715	75-2844632	3	15,000				GENERAL SUPPORT
INDIANA UNIVERSITY FOUNDATIONPO BOX 660245 EVANSVILLE,IN 462660245	35-6018940	3	15,000				GENERAL SUPPORT

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

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
EVANSVILLE AREA COMMUNITY CHURCHES713 N 2ND AVE EVANSVILLE, IN 47710	35-0886837	3	12,000				FOOD FOR FOOD PANTRY
EVANSVILLE KIDNEY ASSOCIATION1312 PROFESSIONAL BLVD EVANSVILLE, IN 47714	26-0219765	3	10,000				GENERAL SUPPORT

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

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
AURORA1100 LINCOLN AVE PO BOX 74 EVANSVILLE, IN 477010074	35- 1759576	3	10,000				CAPITAL CAMPAIGN
GIRL SCOUTS OF SOUTHWEST INDIANA223 NW 2ND STREET EVANSVILLE, IN 47708	35- 0876380	3	8,000				GENERAL SUPPORT

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CHILDREN'S MUSEUM OF EVANSVILLEPO BOX 122 EVANSVILLE,IN 477010074	35-1951848	3	7,500				GENERAL SUPPORT
IVY TECH FOUNDATION3501 N 1ST AVENUE EVANSVILLE,IN 47710	23-7073977	3	7,500				GENERAL SUPPORT

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

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
YOUTH RESOURCES OF SOUTHWESTER PO BOX 3635 EVANSVILLE, IN 477353635	35-1719143	3	6,000				GENERAL SUPPORT
YOUTH FIRST INC 3420 E MORGAN AVE STE A EVANSVILLE, IN 47715	35-2050168	3	5,500				GENERAL SUPPORT



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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
HOLLY'S HOUSE INCPO BOX 4125 EVANSVILLE, IN 477240125	20-4475135	3	5,500				GENERAL SUPPORT
OTHERS 5000			116,391				GENERAL SUPPORT

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 DEACONESS HOSPITAL INC	Employer identification number 35-0593390
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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		
	<input type="checkbox"/> First-class or charter travel		
	<input type="checkbox"/> Travel for companions		
	<input type="checkbox"/> Tax idemnification and gross-up payments		
	<input type="checkbox"/> Discretionary spending account		
	<input type="checkbox"/> Housing allowance or residence for personal use		
	<input type="checkbox"/> Payments for business use of personal residence		
	<input checked="" type="checkbox"/> Health or social club dues or initiation fees		
	<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	Yes
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	<input checked="" type="checkbox"/> Compensation committee		
	<input checked="" type="checkbox"/> Independent compensation consultant		
	<input checked="" type="checkbox"/> Form 990 of other organizations		
	<input type="checkbox"/> Written employment contract		
	<input checked="" type="checkbox"/> Compensation survey or study		
	<input checked="" type="checkbox"/> Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?	4a	Yes
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization?	6b	Yes
	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	

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.

[illegible]

**Part III**   **Supplemental Information**

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	SOCIAL CLUB DUES ARE PAID FOR LINDA WHITE, JAMES PORTER AND SHAWN MCCOY FOR ORGANIZATION BUSINESS ONLY. ANY PERSONAL USE OF THE CLUB MUST BE PAID BY THE EMPLOYEES.
	PART I, LINES 4A-B	SEVERANCE, NONQUALIFIED, AND EQUITY-BASED PAYMENTS: SEVERANCE NONQUALIFIED EQUITY-BASED: LINDA E. WHITE \$ -0- \$16,500 \$ -0-; RUSTON L. STOLTZ, MD 0 16,500 0; DAVID A. KOEHLER, JR., MD 0 16,500 0; SHAWN W. MCCOY 0 16,500 0; JAMES R. PORTER, MD 0 16,500 0; CHERONA J. HAJEWSKI 0 16,500 0; BRUCE E. EPMEIER 0 16,500 0; VENKATESH R. MADADI, MD 0 16,500 0; RAJESH J. PATEL, MD 0 16,500 0; LAWRENCE C. KILINSKI, JR., MD 0 16,500 0; RICHARD M. STIVERS 265,487 0 0; HARRY L. SMITH, JR. 391,056 16,500 0. PART I, 4B: LINDA WHITE: CONTRIBUTIONS MADE TO A SUPPLEMENTAL ACCUMULATION ACCOUNT OF \$158,038; HARRY SMITH: SUPPLEMENTAL ACCUMULATION ACCOUNT PAYOUT OF \$67,981; RICHARD STIVERS: SUPPLEMENTAL ACCUMULATION ACCOUNT PAYOUT OF \$68,458; JAMES PORTER: SUPPLEMENTAL ACCUMULATION ACCOUNT CONTRIBUTIONS OF \$73,960; SHAWN MCCOY: SUPPLEMENTAL ACCUMULATION ACCOUNT CONTRIBUTIONS OF \$74,839; CHERONA HAJEWSKI: SUPPLEMENTAL ACCUMULATION ACCOUNT CONTRIBUTIONS OF \$42,021; BRUCE EPMEIER: SUPPLEMENTAL ACCUMULATION ACCOUNT CONTRIBUTIONS OF \$35,890; SUPPLEMENTAL ACCUMULATION ACCOUNT PAYOUT OF \$93,773; CHERYL WATHEN: SUPPLEMENTAL ACCUMULATION ACCOUNT CONTRIBUTIONS OF \$52,328.
	PART I, LINE 5	INCENTIVE COMPENSATION PAYMENTS ARE BASED UPON SUCCESSFUL ACHIEVEMENT OF ESTABLISHED INPATIENT SATISFACTION MEASURES, OUTPATIENT SATISFACTION MEASURES, COMPLIANCE WITH PUBLICLY REPORTED QUALITY INDICATORS, OPERATING MARGIN AS WELL AS OTHER TECHNICAL AND PERSONAL FUNCTIONAL GOALS. DEACONESS HOSPITAL'S INCENTIVE COMPENSATION PROGRAMS ARE FORMULATED TO REWARD BEHAVIOR THAT BALANCES PATIENT NEEDS AND EFFICIENT DELIVERY OF PATIENT CARE TO ENSURE THE BEST OUTCOMES ARE ACHIEVED.

**Software ID:**  
**Software Version:**  
**EIN:** 35-0593390  
**Name:** DEACONESS HOSPITAL INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
LINDA E WHITE	(i) (ii)	300,960 300,936	307,650 0	9,702 6,400	97,055 72,743	14,834 14,834	730,201 394,913	0 0
DAVID A KOEHLER JR MD	(i) (ii)	0 165,193	0 23,476	5,400 720	0 0	0 5,063	5,400 194,452	0 0
RUSTON L STOLTZ MD	(i) (ii)	0 248,828	0 33,086	6,470 38,552	0 0	0 23,579	6,470 344,045	0 0
SHAWN W MCCOY	(i) (ii)	330,876 0	149,675 0	3,396 8,200	86,599 0	27,045 0	597,591 8,200	0 0
CHERYL A WATHEN	(i) (ii)	121,230 126,637	88,469 0	1,656 9,200	43,664 20,424	16,449 16,449	271,468 172,710	0 0
JAMES R PORTER MD	(i) (ii)	368,557 0	138,173 0	1,896 0	85,720 0	24,513 0	618,859 0	0 0
CHERONA J HAJEWSKI	(i) (ii)	263,546 0	98,681 0	7,944 0	53,781 0	25,703 0	449,655 0	0 0
BRUCE E EPMEIER	(i) (ii)	194,088 0	72,850 0	97,169 0	45,334 0	19,652 0	429,093 0	93,773 0
LARRY F PILE	(i) (ii)	190,207 0	48,043 0	1,362 0	5,853 0	17,173 0	262,638 0	0 0
LYNN C LINGAFELTER	(i) (ii)	163,308 0	31,555 0	0 0	17,946 0	5,063 0	217,872 0	0 0
RICHARD B PERRY	(i) (ii)	136,555 0	53,144 0	1,176 0	4,739 0	22,086 0	217,700 0	0 0
JOHN L ZABROWSKI	(i) (ii)	146,305 0	25,706 0	1,176 3,200	4,416 0	30,340 0	207,943 3,200	0 0
JOYCE A THOMAS	(i) (ii)	141,490 0	27,585 0	1,097 0	22,815 0	24,928 0	217,915 0	0 0
REBECCA L MALOTTE	(i) (ii)	135,208 0	26,206 0	961 0	33,294 0	19,180 0	214,849 0	0 0
VENKATESH R MADADI	(i) (ii)	665,968 0	0 0	45,926 0	0 0	23,960 0	735,854 0	0 0
NIRMAL JOSHI MD	(i) (ii)	612,741 0	0 0	60,017 0	0 0	27,070 0	699,828 0	0 0
RAJESH J PATEL MD	(i) (ii)	618,194 0	0 0	35,976 0	11,098 0	25,485 0	690,753 0	0 0
AYMAN ELFAR MD	(i) (ii)	611,650 0	0 0	35,876 0	0 0	23,960 0	671,486 0	0 0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
LAWRENCE C KILINSKI JR MD	(i)	561,213	0	45,882	0	25,837	632,932	0
	(ii)	0	0	0	0	0	0	0
HARRY L SMITH JR	(i)	23,410	39,347	571,780	5,880	30,287	670,704	67,981
	(ii)	0	0	1,600	0	0	1,600	0
RICHARD M STIVERS	(i)	0	0	206,460	2,940	939	210,339	68,458
	(ii)	0	0	130,822	2,940	939	134,701	0

<div>Schedule K (Form 990)</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Name of the organization DEACONESS HOSPITAL INC</div>	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.</div>								OMB No 1545-0047	
									2011	
									Open to Public Inspection	
								Employer identification number		
								35-0593390		

Part I

Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A INDIANA FINANCE AUTHORITY	35-1602316	45471AAK8	03-26-2009	55,914,771	FACILITY CONSTRUCTION		X		X		X
B INDIANA FINANCE AUTHORITY	35-1602316	45471AAG7	03-26-2009	40,000,000	FACILITY CONSTRUCTION		X		X		X
C INDIANA HLTH FACILITY FINANCING AUTHORITY	35-1611409	4547977Y1	05-27-2004	55,371,597	FACILITY CONSTRUCTION		X		X		X
D INDIANA HLTH FACILITY FINANCING AUTHORITY	35-1611409	4547978A2	05-27-2004	25,000,000	FACILITY CONSTRUCTION		X		X		X

Part II

Proceeds

				A		B		C		D	
1	Amount of bonds retired										
2	Amount of bonds defeased										
3	Total proceeds of issue			55,914,771		40,000,000		55,581,965		25,000,000	
4	Gross proceeds in reserve funds			5,636,806							
5	Capitalized interest from proceeds			5,733,841				3,742,909			
6	Proceeds in refunding escrow										
7	Issuance costs from proceeds			828,073		402,226		611,421		181,203	
8	Credit enhancement from proceeds					60,789		2,187,409		141,281	
9	Working capital expenditures from proceeds										
10	Capital expenditures from proceeds			43,061,620		36,864,650		47,524,358		24,677,516	
11	Other spent proceeds			699,759		2,672,335		1,515,868			
12	Other unspent proceeds										
13	Year of substantial completion			2011		2011		2006		2006	
14	Were the bonds issued as part of a current refunding issue?			Yes	No	Yes	No	Yes	No	Yes	No
					X		X		X		X
15	Were the bonds issued as part of an advance refunding issue?				X		X		X		X
16	Has the final allocation of proceeds been made?			X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?			X		X		X		X	

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X		X		X
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	1 590 %		1 000 %		1 100 %		1 760 %	
6	Total of lines 4 and 5	1 590 %		1 000 %		1 100 %		1 760 %	
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X		X	

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X		X		X		X	
2	Is the bond issue a variable rate issue?		X	X			X	X	
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		X
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?	X		X			X		X
b	Name of provider	TRINITY PLUS		CREDIT AGRICOLE					
c	Term of GIC	2 000000000000		2 000000000000					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X					
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
6	Did the bond issue qualify for an exception to rebate?	X		X		X		X	

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.										OMB No 1545-0047	
											2011	
	Department of the Treasury Internal Revenue Service	Name of the organization DEACONESS HOSPITAL INC										Employer identification number 35-0593390

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A INDIANA FINANCE AUTHORITY	35-1602316	45471AFF4	12-02-2011	20,667,197	3/15/99 BOND REFUNDING		X		X		X

Part II		Proceeds							
		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased	20,270,000							
3	Total proceeds of issue	397,197							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	396,556							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds	541							
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

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

Part IIIPrivate Business Use (Continued)

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

Part IVArbitrage

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

Part VProcedures To Undertake Corrective Action

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

Part VISupplemental Information

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

Identifier	Return Reference	Explanation
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Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

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

OMB No 1545-0047  
**2011**  
Open to Public Inspection

Name of the organization  
DEACONESS HOSPITAL INC

Employer identification number  
  
35-0593390

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
See Additional Data Table					

**Part V**

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

Identifier	Return Reference	Explanation
		SCH L, PART IV, ABBREVIATION BD MBR = BOARD MEMBER

Additional Data

Software ID:  
Software Version:  
EIN: 35-0593390  
Name: DEACONESS HOSPITAL INC

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(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
ADRIENNE WATHAN	FAMILY OF OFFICER	10,537	COMPENSATION		No
SHERRI MCCOY	FAMILY OF OFFICER	27,503	COMPENSATION		No
MISTY ADYE	FAMILY OF BD MBR	31,978	COMPENSATION		No
LETTA FRACCARO	FAMILY OF BD MBR	48,592	COMPENSATION		No
ALEX SEIBERT	FAMILY OF OFFICER	74,188	COMPENSATION		No
ANN TORNATTA	FAMILY OF BD MBR	106,110	COMPENSATION		No
NANCY KOEHLER	FAMILY OF BD MBR	127,156	COMPENSATION		No
SOUTH CENTRAL COMMUNICATIONS	COMMON BD MBR	161,838	ADVERTISING PROVIDER		No
EVANSVILLE RADIOLOGY PC	COMMON BD MBR	744,907	MANAGEMENT SERVICES		No
VECTREN ENERGY DELIVERY	COMMON BOARD MEMBER	5,742,366	GAS/ELECTRIC UTILITY		No

SCHEDULE M  
(Form 990)

Department of the Treasury  
Internal Revenue Service

NonCash Contributions

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
DEACONESS HOSPITAL INC

Employer identification number  
35-0593390

Part I

Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining contribution amounts
1 Art—Works of art . . . . .	X	15	65,000	FAIR MARKET VALUE
2 Art—Historical treasures . . . . .				
3 Art—Fractional interests . . . . .				
4 Books and publications . . . . .				
5 Clothing and household goods . . . . .				
6 Cars and other vehicles . . . . .				
7 Boats and planes . . . . .				
8 Intellectual property . . . . .				
9 Securities—Publicly traded . . . . .				
10 Securities—Closely held stock . . . . .				
11 Securities—Partnership, LLC, or trust interests . . . . .				
12 Securities—Miscellaneous . . . . .				
13 Qualified conservation contribution—Historic structures . . . . .				
14 Qualified conservation contribution—Other . . . . .				
15 Real estate—Residential . . . . .				
16 Real estate—Commercial . . . . .				
17 Real estate—Other . . . . .				
18 Collectibles . . . . .				
19 Food inventory . . . . .				
20 Drugs and medical supplies . . . . .				
21 Taxidermy . . . . .				
22 Historical artifacts . . . . .				
23 Scientific specimens . . . . .				
24 Archeological artifacts . . . . .				
GIFT				
25 Other ► ( CERTIFICATES )	X	55	32,025	COST
OFFICE				
26 Other ► ( EQUIPMENT )	X	1	5,000	COST
27 Other ► ( )				
28 Other ► ( )				

29

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

30a

During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period? . . . . .

30a

Yes

No

b

If "Yes," describe the arrangement in Part II

31

Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

31

Yes

32a

Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions? . . . . .

32a

No

b

If "Yes," describe in Part II

33

If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II

For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 51227J

Schedule M (Form 990) 2011

Part III

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

Identifier	Return Reference	Explanation
THIRD PARTY USE	PART I, LINE 32B	SCHEDULE M - SUPPLEMENTAL INFORMATION THE NUMBER OF CONTRIBUTIONS REPORTED IN COLUMN B ON SCHEDULE M IS THE ACTUAL NUMBER OF ITEMS RECEIVED FROM EACH CONTRIBUTOR

**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

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

**2011**

**Open to Public  
Inspection**

Name of the organization  
DEACONESS HOSPITAL INC

**Employer identification number**

35-0593390

Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990, PART III, LINE 1	DEACONESS HOSPITAL PROVIDES QUALITY HEALTHCARE SERVICES WITH A COMPASSIONATE AND CARING SPIRIT TO PERSONS, FAMILIES AND COMMUNITIES OF THE TRI-STATE. AT DEACONESS HOSPITAL, OUR VALUES ARE BASED ON OUR COMMITMENT TO QUALITY. WE DEFINE QUALITY AS THE CONTINUOUS IMPROVEMENT OF SERVICES TO MEET THE NEEDS AND EXCEED THE EXPECTATIONS OF THE CUSTOMERS WE SERVE. OUR VALUES ARE QUALITY IN EVERYTHING WE DO, RESPECT FOR ALL PEOPLE, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES, INNOVATION TOWARD CONTINUOUS SYSTEMS IMPROVEMENT, PARTNERSHIP WITH THOSE WE SERVE AND WITH SUPPLIERS, EDUCATION FOR CONTINUOUS GROWTH AND KNOWLEDGE AND PRIDE IN WORKMANSHIP. TO ACCOMPLISH ITS MISSION, DEACONESS HOSPITAL IS COMMITTED TO IMPROVING THE QUALITY OF LIFE FOR THE PEOPLE OF THE TRI-STATE BY DEMONSTRATING EXCELLENCE IN HEALTHCARE SERVICES, PROVIDING ACCESS TO HEALTHCARE, PROVIDING CHARITY CARE TO THOSE IN NEED, PROMOTING HEALTHY LIFESTYLES, OFFERING SPIRITUAL AND PSYCHOLOGICAL SUPPORT, SUPPORTING HEALTH RELATED EDUCATION, AND ADVANCING HEALTH KNOWLEDGE THROUGH RESEARCH.



Identifier	Return Reference	Explanation
PROGRAM SERVICES ACCOMPLISHMENT 1 PATIENT SERVICE REVENUE	FORM 990, PART III, LINE 4A	DEACONESS HOSPITAL IS A MAJOR REFERRAL CENTER FOR A 25 COUNTY TRI-STATE AREA IN SOUTHWESTERN INDIANA, WESTERN KENTUCKY AND SOUTHEASTERN ILLINOIS THE HOSPITAL AND ITS FACILITIES ARE LOCATED ON FOUR CAMPUSES WHICH INCLUDE THE MAIN 28-ACRE CAMPUS ON THE NEAR NORTH SIDE OF EVANSVILLE IN VANDERBURGH COUNTY , THE 63-ACRE GATEWAY CAMPUS LOCATED IN WARRICK COUNTY ON THE EASTERN BORDER OF VANDERBURGH COUNTY , AND TWO OTHER EASTSIDE EVANSVILLE LOCATIONS FOR PSYCHIATRIC BEHAVIORAL SERVICES AND REHABILITATION SERVICES THE HOSPITAL OPERATES A MAIN CAMPUS WITH A TOTAL OF 305 BEDS CONSISTING OF 38 INTENSIVE CARE BEDS, 16 CARDIAC INTENSIVE CARE BEDS, 66 CARDIAC BEDS, 23 ONCOLOGY/ PULMONOLOGY BEDS, 61 ORTHOPAEDIC/ NEUROLOGICAL BEDS, 5 PEDIATRIC TRAUMA BEDS, 18 MENTAL HEALTH BEDS, 96 MEDICAL/ SURGICAL BEDS AND 5 HOSPICE BEDS IN ADDITION, THE HOSPITAL PROVIDES A FULL-ARRAY OF COMPREHENSIVE OUTPATIENT AND AMBULATORY SERVICES ON ITS MAIN CAMPUS AND OTHER SPECIFIC SERVICES AT MULTIPLE SITES WITHIN ITS PRIMARY AND SECONDARY SERVICE AREAS THE HOSPITAL OPERATES THE 158 BED DEACONESS GATEWAY HOSPITAL WHICH WAS OPENED IN JANUARY 2006, ON THE GATEWAY CAMPUS CONSISTING OF 13 ADULT INTENSIVE CARE BEDS, 17 PEDIATRIC AND PEDIATRIC INTENSIVE CARE BEDS, 16 NEUROSURGICAL BEDS, 32 ORTHOPAEDIC BEDS, 16 NEURO INTENSIVE CARE BEDS, 32 SURGICAL ONCOLOGY BEDS AND 32 GENERAL MED/ TELEMETRY BEDS THE HOSPITAL PROVIDES A FULL ARRAY OF COMPREHENSIVE OUTPATIENT AND AMBULATORY SERVICE ON THE GATEWAY CAMPUS THE HOSPITAL OWNS AND OPERATES DEACONESS CROSS POINTE, A FREE-STANDING, 60 BED INPATIENT PSYCHIATRIC HOSPITAL LOCATED APPROXIMATELY 7 MILES EAST OF THE MAIN CAMPUS IN EVANSVILLE

Identifier	Return Reference	Explanation
PROGRAM SERVICES ACCOMPLISHMENT 2 CHARITY CARE/ SUBSIDIZED CARE	FORM 990, PART III, LINE 4B	DEACONESS HOSPITAL MAKES A DISTINCTION BETWEEN CHARITY CARE AND BAD DEBT. IN DETERMINING AN INDIVIDUAL OR FAMILY'S ABILITY TO PAY, DEACONESS HOSPITAL EVALUATES WHETHER OR NOT THE RESPONSIBLE PARTY HAS SUFFICIENT RESOURCES AVAILABLE FOR PAYMENT. IF AN INDIVIDUAL IS DETERMINED TO NOT HAVE SUFFICIENT RESOURCES TO PAY, THEY ARE CONSIDERED ELIGIBLE FOR CHARITY CARE AND WILL NOT BE PROCESSED THROUGH EITHER INTERNAL OR EXTERNAL COLLECTIONS. ACCOUNTS OF CHARITY CARE PATIENTS WHO ARE UNABLE TO PAY DO NOT RESULT IN BAD DEBT AND ARE NOT COLLECTED UPON. DEACONESS HOSPITAL PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS BELOW COST, RECOGNIZING ITS MISSION TO THE COMMUNITY, SERVICES ARE PROVIDED TO BOTH MEDICARE AND MEDICAID PATIENTS. TO THE EXTENT OF REIMBURSEMENT IS BELOW COST, DEACONESS HOSPITAL ABSORBS THESE COSTS IN MEETING ITS MISSION TO THE COMMUNITY. IN SUPPORT OF ITS MISSION, DEACONESS HOSPITAL PROVIDED \$24.9 MILLION OF CHARITY CARE AND \$17.6 MILLION OF SUBSIDIZED SERVICES TO THE MEDICAID PROGRAM, AND \$50.3 MILLION OF SUBSIDIZED SERVICES TO THE MEDICARE PROGRAM.

Identifier	Return Reference	Explanation
PROGRAM SERVICE STATEMENT	FORM 990, PART III, LINE 4C	PROGRAM SERVICES ACCOMPLISHMENT 3 GRADUATE MEDICAL EDUCATION, MEDICAL EDUCATION & COMMUNITY BENEFITS DEACONESS HOSPITAL PLAYS AN ACTIVE ROLE IN MEDICAL EDUCATION, OPERATING A THREE YEAR FAMILY MEDICINE RESIDENCY PROGRAM AND A POST-GRADUATE PHARMACY RESIDENCY PROGRAM DEACONESS HOSPITAL ALSO PROVIDES CONTINUING MEDICAL EDUCATION PROGRAMS FOR ATTENDING PHYSICIANS, OTHER HEALTH PROFESSIONALS, OTHER ALLIED HEALTH PROGRAMS, COMMUNITY HEALTH PROGRAMS AND A CHAPLAIN RESIDENCY PROGRAM IN ADDITION TO EDUCATIONAL SERVICES, DEACONESS HOSPITAL PROVIDED \$6.5 MILLION IN COMMUNITY BENEFIT ACTIVITIES (ALL ON A COST BASIS), SERVING A MINIMUM OF 698,675 PEOPLE WITHIN THE TRI-STATE AREA

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	DEACONESS HEALTH SYSTEM, INC IS THE SOLE CORPORATE MEMBER OF DEACONESS HOSPITAL, INC

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD OF DIRECTORS MAY ELECT ONE OR MORE NON-MEDICAL STAFF MEMBERS OF THE GOVERNING BODY THROUGH AN APPROVED ELECTION AND APPROVAL PROCESS. THE ELECTION AND APPROVAL PROCESS FOR NON-MEDICAL STAFF MEMBERS BEGINS WITH A RECOMMENDATION BY THE GOVERNANCE COMMITTEE FOR MEMBERSHIP TO THE BOARD OF DIRECTORS. THAT RECOMMENDATION IS THEN REVIEWED AND APPROVED BY THE BOARD OF DIRECTORS. DEPENDING ON THE DECISION REACHED BY THE BOARD OF DIRECTORS, MEMBERSHIP MAY OR MAY NOT BE GRANTED TO THAT INDIVIDUAL. MEDICAL STAFF EXECUTIVE COUNCIL LEADERSHIP ARE APPOINTED TO BOARD OF DIRECTOR MEMBERSHIP THROUGH THEIR POSITION AS ELECTED MEDICAL STAFF LEADERS. THROUGH THE ELECTION PROCESS OF THE MEDICAL STAFF EXECUTIVE COUNCIL, THEIR APPOINTMENT IS CONFIRMED AND APPROVED.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE PROCESS THAT DEACONESS HOSPITAL UTILIZES TO PRESENT THE FORM 990 TO ITS GOVERNING BODY PRIOR TO FILING IS TO PRESENT THE FORM 990 TO THE ASSISTANT CONTROLLER, CONTROLLER, CFO AND CEO OF THE ORGANIZATION FOR REVIEW AFTER THIS REVIEW IS PERFORMED AND ALL QUESTIONS ARE ANSWERED, THE FORM 990 IS PRESENTED TO THE BOARD OF DIRECTORS AT THE BOARD MEETING PRIOR TO THE FILING DATE OF THE FORM 990 ANY ADDITIONAL QUESTIONS ARE ANSWERED AND THE FINAL FILING IS THEN COMPLETED

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	CONFLICT OF INTEREST REVIEW AND COMPLIANCE ACTIVITIES ARE CONDUCTED THROUGHOUT THE YEAR UNDER THE DIRECTION OF DEACONESS HOSPITAL'S CORPORATE COMPLIANCE OFFICER UPON APPOINTMENT AND, ANNUALLY, THEREAFTER, OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES, ALSO KNOWN AS INTERESTED PERSONS, ARE REQUIRED TO COMPLETE "THE CONFLICTS OF INTEREST QUESTIONNAIRE" AND/OR "THE DISCLOSURE QUESTIONNAIRE" THESE DOCUMENTS SERVE TO ENSURE INTERESTED PERSONS OR COMMITTEE MEMBERS WITH BOARD DELEGATED POWERS HAVE AN APPROPRIATE AND TIMELY MANNER IN WHICH TO DISCLOSE ANY POTENTIAL CONFLICTS CONFLICTS ARE CONSIDERED WITH RESPECT TO OUTSIDE INTEREST, INVESTMENTS, OUTSIDE ACTIVITIES, AND BUSINESS INTERESTS AMONG THE INTERESTED PERSONS AS WELL AS THEIR FAMILY MEMBERS ON A PERIODIC BASIS, REVIEWS OCCUR TO ENSURE DEACONESS HOSPITAL OPERATES IN A MANNER CONSISTENT WITH ITS CHARITABLE PURPOSE SUBJECTS THAT ARE REVIEWED ON A PERIODIC BASIS INCLUDE COMPENSATION, PHYSICIAN RELATIONSHIPS, PARTNERSHIP AND JOINT VENTURE ARRANGEMENTS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	<p>COMPENSATION FOR TOP OFFICIALS AND OTHER OFFICERS DEACONESS HOSPITAL UTILIZES A COMPENSATION COMMITTEE TO APPROVE EXECUTIVE, DIRECTOR AND PHYSICIAN COMPENSATION AS WELL AS EXECUTIVE AND PHYSICIAN BENEFITS PROGRAMS THE COMPENSATION COMMITTEE IS APPOINTED BY THE BOARD OF DIRECTORS AND MUST MEET THE INDEPENDENCE REQUIREMENTS OF THE SEC THE COMMITTEE HAS THE POWER AND AUTHORITY TO</p> <ol style="list-style-type: none"> <li>1 ANNUALLY REVIEW AND APPROVE AND RECOMMEND TO THE BOARD OF DIRECTORS FOR ITS FINAL APPROVAL FOR THE CEO AND EACH OTHER EXECUTIVE OFFICER OF THE SYSTEM ALL ELEMENTS OF EXECUTIVE COMPENSATION</li> <li>2 MONITOR BROADLY THE STRUCTURE, PHILOSOPHY OR COMPETITIVENESS OF THE SYSTEM'S GENERAL HIRING OR COMPENSATION PRACTICES</li> <li>3 OVERSEE THE ESTABLISHMENT AND ADMINISTRATION OF THE COMPANY'S BROAD-BASED BENEFIT PLANS AND PROGRAMS</li> <li>4 REVIEW OR APPROVE SIGNIFICANT AMENDMENTS OR CHANGES TO THE PLANS AND PROGRAMS</li> <li>5 RETAIN AND TERMINATE ANY COMPENSATION CONSULTANT TO BE USED TO ASSIST IN THE EVALUATION OF DIRECTOR, CEO OR EXECUTIVE OFFICE COMPENSATION</li> <li>6 SOLE AUTHORITY TO APPROVE THE CONSULTANT'S FEES AND OTHER RETENTION TERMS</li> <li>7 OBTAIN ADVICE AND ASSISTANCE FROM INTERNAL OR EXTERNAL LEGAL, ACCOUNTING OR OTHER ADVISORS</li> <li>8 APPROVE ALL PHYSICIAN AND PHYSICIAN RELATED CONTRACTS</li> <li>9 MAKE REGULAR REPORTS TO THE BOARD</li> </ol>



Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	DEACONESS HOSPITAL'S ARTICLES OF INCORPORATION ARE AVAILABLE ON THE SECRETARY OF STATE'S WEBSITE. DEACONESS HOSPITAL IS PART OF A CONSOLIDATED FINANCIAL STATEMENT WHICH IS AVAILABLE WITH THE PUBLIC DISCLOSURE COPY OF THE IRS FORM 990. ALSO, AS REQUIRED BY LAW, THE HOSPITAL SUBMITS ITS CONSOLIDATED FINANCIAL STATEMENTS TO THE INDIANA DEPARTMENT OF HEALTH WHICH ARE PUBLISHED ON ITS WEBSITE. GOVERNING DOCUMENTS, ASIDE FROM THE ARTICLES OF INCORPORATION, AND THE CONFLICT OF INTEREST POLICY ARE NOT AVAILABLE FOR PUBLIC INSPECTION.

Identifier	Return Reference	Explanation
CONTACT ADDRESSES FOR OFFICERS, DIRECTORS, ETC	FORM 990, PART VII	LARRY F PILE - 8065 WYNGATE CIRCLE, NEWBURGH, IN 47630

Identifier	Return Reference	Explanation
AVERAGE HOURS PER WEEK	FORM 990, PART VII, SECTION A, LINE 1A, COLUMN (B)	THE AVERAGE HOURS WORKED PER WEEK INCLUDE RELATED PARTY HOURS FOR MS WHITE AND MS WATHEN HOURS LISTED IN PART VII RELATE TO TIME DEVOTED TO DEACONESS HEALTH SYSTEM (DHS), DEACONESS CLINIC, INC (DCI), AND DEACONESS HOSPITAL, INC (DHI) SEE THE AVERAGE HOURS PER WEEK BELOW DHS DCI DHI TOTAL MS WHITE 20 10 40 70 MS WATHEN 5 5 50 60

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 20,240,846 CHANGE IN PENSION LIABILITY - 20,535,930 CAPITAL CONTRIBUTION TO DEACONESS HEALTH SYSTEM -17,807,842 CHANGE IN BENEFICIAL INTERESTS IN TRUSTS 1,070,967 FOUNDATION MONIES GRANTED FROM RESTRICTION -842,006 TOTAL TO FORM 990, PART XI, LINE 5 -17,873,965

Identifier	Return Reference	Explanation
OVERSIGHT OF AUDIT	FORM 990, PART XII, LINE 2C	THE BOARD OF DIRECTORS ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT OF THE FINANCIAL STATEMENTS AND SELECTION OF THE INDEPENDENT ACCOUNTANT, AND NO PROCESSES HAVE CHANGED FROM PRIOR YEAR

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  
DEACONESS HOSPITAL INC

Employer identification number  
35-0593390

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) DEACONESS HEALTH SYSTEM INC  600 MARY STREET  EVANSVILLE, IN 47747 35-1532889	HEALTHCARE	IN	501(C)(3)	LINE 11A, I	N/A		No
(2) DEACONESS CLINIC INC  421 CHESNUT STREET  EVANSVILLE, IN 47713 26-3083364	HEALTHCARE	IN	501(C)(3)	LINE 3	DEACONESS HEALTH SYSTEM		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) DEACONESS HEALTH PLANS LLC  350 W COLUMBIA SUITE 400 EVANSVILLE, IN 47710 38-3492529	PREFERRED PROVIDER NETWORK	IN	N/A	RELATED	31,152	1,567,218		No			No	94 130 %
(2) HEARTCARE HEALTH SYSTEM  415 W COLUMBIA EVANSVILLE, IN 47710 35-2038344	HEALTHCARE	IN	N/A	RELATED	936			No			No	70 000 %
(3) PROGRESSIVE HEALTH OF IN LLC  150 N ROSENBERGER EVANSVILLE, IN 47712 20-8480988	OUTPATIENT	IN	N/A	RELATED	1,793,485	884,170		No			No	51 000 %
(4) HEART HOSPITAL AT DEACONESS GATEWAY LLC  4007 GATEWAY BLVD NEWBURGH, IN 47630 26-1766835	HOSPITAL	DE	N/A	RELATED	5,114,109	7,834,883		No			No	51 000 %
(5) TRI-STATE RADIATION ONCOLOGY  1500 ROSECRANS AVENUE MANHATTAN BEACH, CA 90266 26-3706834	OUTPATIENT	DE	N/A	RELATED	1,573,419	2,699,820		No			No	51 000 %

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) TRI-STATE MEDICAL MANAGEMENT INC 600 MARY STREET EVANSVILLE, IN 47747 35-1875888	PHYSICIAN MANAGEMENT	IN	N/A	C			100 000 %

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

No

Yes

Yes

No

No

No

Yes

Yes

Yes

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) DEACONESS HEALTH PLANS LLC	I	57,585	
(2) HEART HOSP AT DEAC GATEWAY LLC	N	8,419,820	
(3) HEART HOSP AT DEAC GATEWAY LLC	O	3,367,863	
(4) HEART HOSP AT DEAC GATEWAY LLC	P	5,819,241	
(5) DEACONESS HEALTH PLANS LLC	P	91,730	
(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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CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2012 AND 2011

CLAY ADVISORS



# DEACONESS HEALTH SYSTEM

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Blue & Co., LLC - America's Great Supply 2200 3rd Street, Evansville, IN 47712  
(317) 533-1755 • (317) 533-6089 • blue@blueandco.com

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Deaconess Health System  
Evansville, Indiana

We have audited the consolidated balance sheets of Deaconess Health System (System) as of September 30, 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 the System as of September 30, 2012 and 2011, and its consolidated results of operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Blue & Co., LLC*

December 12, 2012

# DEACONESS HEALTH SYSTEM

## CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2012 AND 2011

ASSETS		
	2012	2011
<b>Current assets</b>		
Cash and cash equivalents	\$ 63,419,560	\$ 59,961,722
Funds held by trustee, current portion	5,712,886	7,247,329
Patient accounts receivable, less allowance for estimated uncollectible amounts of \$45,213,000 in 2012 and \$39,210,000 in 2011	101,449,536	119,968,453
Inventories	6,362,040	5,169,428
Prepaid expenses and other current assets	11,060,431	9,076,499
Total current assets	188,004,453	201,423,431
<b>Investments limited as to use, less current portion</b>		
Board designated funds	254,201,470	180,166,523
Board designated funds - Foundation	5,653,343	4,879,650
Donor restricted - Foundation	5,056,888	3,473,778
Total investments limited as to use	264,911,701	188,519,951
<b>Property and equipment</b>		
Land and improvements	18,316,168	18,026,313
Buildings and improvements	493,491,934	450,882,855
Furniture, fixtures and equipment	254,137,426	206,315,244
	765,945,528	675,224,412
Less allowances for depreciation	422,607,617	385,295,460
	343,337,911	289,928,952
Construction in progress	9,884,463	69,534,614
Total property and equipment, net	353,222,374	359,463,566
<b>Other assets</b>		
Deferred financing costs	2,762,552	2,754,780
Investments in joint ventures	22,865,777	19,151,508
Goodwill	22,217,481	22,180,825
Other	11,679,179	10,158,224
Total other assets	59,524,989	54,245,337
Total assets	\$ 865,663,517	\$ 803,652,285

See accompanying notes to consolidated financial statements

# DEACONESS HEALTH SYSTEM

## CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2012 AND 2011

### LIABILITIES AND NET ASSETS

	2012	2011
<b>Current liabilities</b>		
Accounts payable and other current liabilities	\$ 33,058,097	\$ 29,225,210
Salaries, wages and related liabilities	39,843,727	33,349,330
Estimated third-party payor settlements	6,415,881	6,062,657
Accrued interest	651,549	726,894
Line of credit	-0-	1,131
Current portion of long-term debt	10,488,544	10,257,530
Total current liabilities	90,457,798	79,622,752
<b>Long-term liabilities</b>		
Long-term debt, less current portion	218,863,067	228,251,902
Other long-term liabilities	90,803,439	69,426,151
Total long-term liabilities	309,666,506	297,678,053
Total liabilities	400,124,304	377,300,805
<b>Net assets</b>		
Unrestricted	451,746,047	413,424,021
Temporarily restricted	3,293,842	2,781,774
Permanently restricted	1,763,046	692,004
Net assets - controlling interest	456,802,935	416,897,799
Non-controlling interest	8,736,278	9,453,681
Total net assets	465,539,213	426,351,480
Total liabilities and net assets	\$ 865,663,517	\$ 803,652,285

See accompanying notes to consolidated financial statements

# DEACONESS HEALTH SYSTEM

## CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
<b>Unrestricted revenue and other support</b>		
Net patient service revenue	\$ 675,570,391	\$ 617,237,011
Less provision for bad debts	41,765,158	29,515,858
Net patient service revenue net of provision for bad debts	633,805,233	587,721,153
Other revenue	42,835,021	28,782,408
Total unrestricted revenue and other support	676,640,254	616,503,561
<b>Expenses</b>		
Salaries and wages	251,853,175	238,266,534
Employee benefits	70,832,778	64,306,178
Supplies	110,192,200	110,168,811
Contract services	69,608,219	66,833,086
Repairs and maintenance	19,689,741	19,479,306
Depreciation	39,625,915	36,192,720
Interest	9,227,267	9,309,117
Utilities	13,209,277	13,176,217
Other	51,909,459	28,576,335
Total expenses	636,148,031	586,308,304
Income from operations	40,492,223	30,195,257
<b>Nonoperating revenues (expenses)</b>		
Investment income	8,036,317	7,165,773
Contributions, gifts, and bequests	469,250	764,292
Grants	(1,525,180)	(1,639,834)
Other nonoperating	(4,574)	(610,183)
Total nonoperating revenues (expenses)	6,975,813	5,680,048
Excess revenues over expenses	47,468,036	35,875,305
<b>Other changes in unrestricted net assets</b>		
Net unrealized gain (loss) on investments	20,183,539	(3,583,987)
Pension related changes other than net periodic pension cost	(20,535,930)	(3,997,956)
Net assets released from restriction	692,091	666,949
Other changes in unrestricted net assets	-0-	200,000
Change in unrestricted net assets	47,807,736	29,160,311
<b>Temporarily restricted net assets</b>		
Contributions, gifts and bequests	1,122,293	528,905
Net unrealized gain on investments	57,307	20,199
Investment income	24,559	31,078
Net assets released from restriction	(692,091)	(666,949)
Change in temporarily restricted net assets	512,068	(86,767)
<b>Permanently restricted net assets</b>		
Contributions, gifts and bequests	1,071,042	71
<b>Consolidated change in net assets</b>	49,390,846	29,073,615
Less amount attributable to non-controlling interest	(9,485,710)	(7,276,318)
Change in net assets attributable to controlling interest	\$ 39,905,136	\$ 21,797,297

See accompanying notes to consolidated financial statements



# DEACONESS HEALTH SYSTEM

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	Controlling Interest			Non-controlling Interest	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Net assets</b>					
September 30, 2010	\$ 391,540,028	\$ 2,868,541	\$ 691,933	\$ 8,293,214	\$ 403,393,716
Change in net assets	21,883,993	(86,767)	71	7,276,318	29,073,615
Distributions	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(6,115,851)</u>	<u>(6,115,851)</u>
September 30, 2011	413,424,021	2,781,774	692,004	9,453,681	426,351,480
Change in net assets	38,322,026	512,068	1,071,042	9,485,710	49,390,846
Distributions	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(10,203,113)</u>	<u>(10,203,113)</u>
September 30, 2012	<u>\$ 451,746,047</u>	<u>\$ 3,293,842</u>	<u>\$ 1,763,046</u>	<u>\$ 8,736,278</u>	<u>\$ 465,539,213</u>

See accompanying notes to consolidated financial statements

# DEACONESS HEALTH SYSTEM

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
<b>Operating activities</b>		
Change in net assets	\$ 49,390,846	\$ 29,073,615
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	39,625,915	36,192,720
Provision for bad debts	41,765,158	29,515,858
Net unrealized (gain) loss on investments	(20,240,846)	3,563,788
Net realized gain on investments	(308,747)	(838,075)
(Gain) loss on disposal of assets	(85,189)	610,183
Loss on bond defeasance	95,195	-0-
Amortization of deferred financing costs and original issue discount	211,753	237,872
Pension related changes other than net periodic pension cost	20,535,930	3,997,956
Restricted activity, net	(1,583,110)	(528,976)
Changes in operating assets and liabilities		
Patient accounts receivable	(23,246,241)	(35,697,117)
Inventories	(1,192,612)	941,013
Prepaid expenses and other current assets	(1,983,935)	3,422,407
Investments in joint ventures and other assets	(5,271,880)	377,681
Accounts payable and other current liabilities	2,318,890	(11,426,297)
Salaries, wages and related liabilities	6,494,397	6,273,218
Estimated third-party payor settlements	353,224	536,660
Accrued interest	(75,345)	(295,937)
Other long-term liabilities	841,358	4,465,889
Net cash flows from operating activities	107,644,761	70,422,458
<b>Investing activities</b>		
Purchases of property and equipment	(31,019,808)	(43,723,530)
Proceeds from disposal of property and equipment	385,499	375,700
Net transfers to/from trustee assets for principal, interest and construction draws	1,534,443	28,537,375
Purchases of board designated funds	(147,589,783)	(113,482,502)
Proceeds from sale of board designated funds	93,197,205	78,486,654
Cash paid for goodwill	(36,656)	-0-
Other investing activities	(1,412,923)	5,285
Net cash flows from investing activities	(84,942,023)	(49,801,018)
<b>Financing activities</b>		
Distributions to non-controlling interest investors	(10,203,113)	(6,115,851)
Restricted activity, net	1,583,110	528,976
Payments on line of credit, net	(1,131)	(1,519,057)
Payments on long-term debt	(10,342,299)	(9,647,196)
Proceeds from long-term debt	28,340,000	-0-
Payments to refinance long-term debt	(28,340,000)	-0-
Cash paid for deferred financing costs	(281,467)	-0-
Net cash flows from financing activities	(19,244,900)	(16,753,128)
Change in cash and cash equivalents	3,457,838	3,868,312
<b>Cash and cash equivalents</b>		
Beginning of year	59,961,722	56,093,410
End of year	\$ 63,419,560	\$ 59,961,722

See accompanying notes to consolidated financial statements

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Deaconess Health System (System) is an integrated multi-facility health system providing comprehensive health care services to southern Indiana, southeastern Illinois and western Kentucky, employing over 5,000 within the Tri-State area

Deaconess Health System, Inc was formed to coordinate management and strategic planning and provide operational facilities for entities within the System, the most significant of which are Deaconess Hospital, Inc (Hospital) and Deaconess Clinic, Inc (Clinic), not-for-profit corporations whose mission is to provide quality health care services with a compassionate and caring spirit to persons, families and communities of the Tri-State area

The board of Deaconess Health System, Inc is granted the authority to provide overall direction and control of the entities through their respective bylaws. Deaconess Health System, Inc wholly owns the Clinic and Deaconess Care Integration, LLC

The Clinic is comprised of Deaconess employed physicians practicing primary care and multi-specialty medicine within eighteen outpatient physician offices located throughout southern Indiana, southeastern Illinois and western Kentucky and two urgent care centers located in Evansville, Indiana. The facilities provide illness and injury care, preventative care, lab and x-ray services. The Clinic also encompasses the Deaconess Clinical Research Institute which provides drug research studies for the pharmaceutical industry.

Deaconess Care Integration, LLC was formed on February 7, 2012 as an accountable care organization with the purpose of developing a care delivery model focused on quality metrics and reductions in cost for the Medicare population.

The Hospital, located in Evansville, Indiana, is comprised of two general acute care facilities, a mental health facility and two outpatient primary care facilities for seniors. The inpatient services have a combined capacity of 523 intensive care, pediatric, medical/surgical, orthopedic and neurosurgical beds.

The Hospital holds majority ownership interests in the following entities:

- The Heart Hospital at Deaconess Gateway, LLC – 51%
- Progressive Health of Indiana, LLC – 51%
- Tri-State Radiation Oncology, LLC – 51%
- Deaconess Health Plans, LLC – 94%

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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The Heart Hospital at Deaconess Gateway, LLC is a 24 bed hospital providing preventative care, medical care, emergent care, diagnostic testing, cardiovascular procedures, cardiovascular surgery and cardiac rehabilitation on an outpatient and inpatient basis

Progressive Health of Indiana, LLC provides physical, occupational and speech therapy services throughout southern Indiana

Tri-State Radiation Oncology, LLC provides oncology and cancer services, including radiation therapy, pain management, counseling and rehabilitation

Deaconess Health Plans, LLC is a preferred provider organization – managed care network formed to encourage collaboration in providing patient service and cost management

Heartcare Health System, LLC facilitated collaboration on cardiac services with an emphasis on cost reduction and quality improvement. During 2012, the services and functions of Heartcare Health System, LLC were integrated into the Hospital and all remaining net assets of Heartcare Health System, LLC were distributed

### Principles of Consolidation

The consolidated financial statements include the accounts of Deaconess Health System and its wholly owned and controlled subsidiaries. All material inter-company accounts and transactions have been eliminated in consolidation.

### Investments in Joint Ventures

The Hospital holds a 50% ownership in the Deaconess Women's Hospital of Southern Indiana, LLC d/b/a The Women's Hospital which is a 74-bed facility dedicated to comprehensive women's care, including obstetrics, neonatal intensive care, cancer treatment and infertility and imaging services. The Hospital recorded an investment in The Women's Hospital of approximately \$5,280,000 and \$2,612,000 as of September 30, 2012 and 2011, respectively. During 2012 and 2011, the Hospital received income distributions of approximately \$2,221,000 and \$4,012,000, respectively.

The Hospital holds a 22% ownership interest in HealthSouth/Deaconess, LLC, d/b/a HealthSouth Deaconess Rehabilitation Hospital, an 80-bed comprehensive facility dedicated to improving, maintaining or restoring physical strength, cognition and mobility through therapeutic methods and technologies for rehabilitation. The Hospital recorded an investment in the HealthSouth Deaconess Rehabilitation

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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Hospital of approximately \$3,997,000 and \$4,339,000 as of September 30, 2012 and 2011, respectively. During 2012 and 2011, the Hospital received income distributions of approximately \$2,044,000 and \$1,461,000, respectively.

The Hospital holds a 50% ownership interest in Evansville Surgery Center Associates, LLC providing two locations of multispecialty outpatient surgery centers dedicated to the diagnosis and preoperative, intraoperative and postoperative care of patients. The Hospital recorded an investment in Evansville Surgery Center Associates, LLC of approximately \$10,138,000 and \$10,478,000 as of September 30, 2012 and 2011, respectively. During 2012 and 2011, the Hospital received income distributions of approximately \$9,125,000 and \$10,025,000, respectively.

The Hospital holds a 12.5% ownership interest in the Indiana Healthcare Reciprocal Risk Retention Group which was formed to provide liability insurance, reinsurance and risk management services to the members. No income distributions were received in 2012 and 2011.

On December 31, 2011, the Hospital acquired a 33.3% of the membership shares in The Healthcare Group, LLC, a preferred provider organization – managed care network, in exchange for the Hospital accepting a governance role and responsibility to share in the losses and gains and other obligations. The Healthcare Group, LLC encourages collaboration in providing patient service and cost management.

Investments in organizations where the System's ownership percentage is equal to or less than 50% are included in investments in joint ventures on the consolidated balance sheets. The System's portion of income from unconsolidated organizations is reported with other revenue and was approximately \$16,294,000 and \$15,052,000 for 2012 and 2011, respectively.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the allowance for estimated uncollectible accounts, estimated third-party payor settlements, defined pension plan obligations and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period and could differ from actual results.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### New Accounting Pronouncement

As permitted, effective September 1, 2011, the System elected to early adopt Accounting Standards Update (ASU) 2011-07, Healthcare Entities (Topic 954), "Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities," which requires certain healthcare entities to present the provision for bad debts relating to patient service revenue as a deduction from patient service revenue in the consolidated statement of operations rather than as an operating expense. All periods presented have been reclassified to conform to this presentation. The System's adoption of this standard had no net impact on the consolidated financial position, results of operations, or cash flows.

ASU 2011-07 also requires healthcare entities to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for uncollectible accounts. See the "Patient Accounts Receivable, Estimated Third-Party Payor Settlements and Net Patient Service Revenue" sections of this note.

### Charity Care, Community Benefit and Assistance to the Uninsured

The System provides care to patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the System. Essentially, these policies define charity services as those services for which no payment or reduced payment based upon a graduated scale, is anticipated, up to 300% of Federal Poverty Income Guidelines, published by the Department of Health and Human Services and where incurred charges are considered significant when compared to the income of the patient. Because collection of amounts determined to qualify as charity care is not pursued, such amounts are not reported as revenue.

The System enhanced its charity care policy to more accurately reflect current economic conditions and other factors unique to the System's customer base. Charity care provided during 2012 and 2011, measured at established rates, was approximately \$86,824,000 and \$81,453,000, respectively. In addition, other programs and services for the benefit of the community are provided. The costs of these programs are included in operating expenses. The System receives reimbursements from certain governmental payors to assist in the funding of charity care.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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Of the System's total expenses reported (approximately \$636,148,000 and \$586,308,000 during 2012 and 2011, respectively), an estimated \$30,587,000 and \$28,509,000 arose from providing services to charity patients during 2012 and 2011, respectively. The estimated costs of providing patient assistance services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue.

The System has a policy for uninsured patients with discounted rates similar to contractual payors. Uninsured self-pay discounts provided to patients were approximately \$15,542,000 and \$2,949,000 in 2012 and 2011, respectively.

### Statements of Cash Flows

Cash and cash equivalents are defined as investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts whose use is limited by arrangements under trust agreements, board designation or by donors. The System maintains its cash in accounts, which at times may exceed federally insured limits. The policy of the System is to collateralize deposits. The System has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Additional cash flows information for 2012 and 2011 is as follows,

	2012	2011
Supplemental cash flows information		
Cash paid for interest, net of capitalized interest	\$ 9,303,000	\$ 9,256,000
Interest expense capitalized	\$ -0-	\$ 911,000
Interest income capitalized	\$ -0-	\$ 134,000
Property and equipment in liabilities	\$ 2,585,000	\$ 1,071,000
Equipment acquired through capital leases	\$ 2,665,225	\$ 3,504,000

### Patient Accounts Receivable, Estimated Third-Party Payor Settlements and Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with certain third-party payors are included with estimated third-party payor settlements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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Patient accounts receivable are reduced by an allowance for uncollectible accounts based on the System's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to its service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary. For receivables associated with self-pay payments the System records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

During 2012, the System's allowance for uncollectible accounts changed from approximately \$39,210,000 to \$45,213,000. The change was the result of the System's most recent experience primarily related to self-pay patients. As of September 30, 2012, the allowance for uncollectible accounts of \$45,213,000 was comprised of \$41,881,000 reserved for self-pay balances and \$3,332,000 reserved for third-party payor balances. As of September 30, 2011, the allowance for uncollectible accounts of \$39,210,000 was comprised of \$36,087,000 reserved for self-pay balances and \$3,123,000 reserved for third-party payor balances.

### Inventories

Inventories (principally pharmaceuticals and medical supplies) are stated at the lower of cost (first in, first out) or market.

### Property and Equipment and Depreciation

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets, ranging from 3 to 40 years, using the straight-line method. Equipment under capital leases are amortized on the straight-line method over the lease term or the estimated useful life of the equipment, if shorter.



# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### Investments Limited as to Use

Investments are stated at fair value. Dividends, interest income and realized gains and losses on sales of investments are recorded as nonoperating investment income. Unrealized gains (losses) on investments are reported as other changes in net assets in the consolidated statements of operations.

Investments consist of short-term investments (principally money market mutual funds), US Government and government agency obligations, marketable debt securities (corporate bonds and fixed income mutual funds), marketable equity securities (common and preferred corporate stock), equity mutual funds and private equity investments and mortgage and asset-backed securities. Fair values for investments are based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Private equity investments consist of limited partnerships investing in common stock of small and medium capitalization companies. Investments in those limited partnerships are reported at fair value as determined by the individual manager of each partnership. Although the manager uses its best judgment in estimating the fair value of the investments in the investment funds, there are inherent limitations in any estimation technique. Therefore, the values reported are not necessarily indicative of the amount that the investments funds could realize in a current transaction.

These estimated values may differ significantly from the values that would have been used had a ready market for the investments in the investment funds existed and the difference could be material. Private equity investments totaled approximately \$6,778,000 and \$5,049,000 (2.5% and 2.6% of investment portfolio) as of September 30, 2012 and 2011, respectively.

Investments limited as to use include assets held by trustees under indenture agreements, amounts set aside by the Board of Directors for future capital improvements, retirement of debt over which the Board retains control and may at its discretion subsequently designate for other purposes and amounts designated by for the Foundation and donor restrictions. Amounts required to meet current liabilities of the System have been classified as current assets.

### Foundation

The Hospital also encompasses a charitable Foundation supported by donations from the community. The Foundation has a separate advisory board who carry out the mission of supporting medical, charitable and educational activities as designated by the donors.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### Deferred Financing Costs

Costs incurred in connection with the issuance of debt are amortized over the term of the related debt using the bonds outstanding method. Estimated annual amortization is approximately \$200,000.

### Goodwill

As of September 30, 2012 and 2011, the System recorded goodwill of approximately \$22,217,000 and \$22,181,000 respectively, related to the acquisition of majority owned entities.

Goodwill is tested for impairment on an annual basis, or whenever an event occurs or circumstances indicate the carrying value of the goodwill may be impaired. The System performed the required annual impairment test for goodwill as of September 30, 2012 using the income approach of calculating the present value of the future cash flows. The System determined no impairment of goodwill existed as of September 30, 2012 and 2011.

### Medical Malpractice

Malpractice insurance coverage is provided under a claims-made policy. Should the claims-made policy be terminated, the Hospital has the option to purchase insurance for claims having occurred during its term but reported subsequently. Prior to July 1, 1999, the Indiana Medical Malpractice Act (Act) provided for a maximum recovery of \$750,000 per occurrence (\$3,000,000 annual aggregate) for professional liability, \$100,000 of which would be paid through the Hospital's malpractice insurance coverage and the balance would be paid by the State of Indiana Patient Compensation Fund (Fund). For claims on or after July 1, 1999, the Act provides for a maximum recovery of \$1,250,000 per occurrence (\$7,500,000 annual aggregate) with the first \$250,000 covered by the Hospital's insurance and the remainder by the Fund.

Effective October 1, 2003, the System became a member in a Vermont captive insurance company, Indiana Healthcare Reciprocal Risk Retention Group, to fund the Hospital's required portion of the professional, physician insurance coverage pursuant to the Act as well as its general liability insurance and excess coverage. This provides protection from liability in an amount not to exceed \$250,000 per incident and aggregate liability protection not to exceed \$7,500,000 per year. In addition, the Hospital maintains a commercial umbrella/excess liability policy with a limit of \$15,000,000 each occurrence, \$15,000,000 aggregate per member and \$30,000,000 total policy aggregate.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### Performance Indicator

The consolidated statements of operations contain a performance indicator, excess revenues over expenses. Consistent with industry practice, unrealized gain and loss on other than trading investments, pension related changes other than net periodic pension cost, equity transfers, contributions restricted for long-term purposes and certain other items are excluded from the performance indicator.

### Pension Plan

The System offers a defined benefit pension plan covering eligible employees. The benefits are based on years of service and each employee's compensation during the years of employment. Contributions to the plan include amortization of past service costs plus interest thereon over approximately ten years and are currently funded.

### Income Taxes

Deaconess Health System, Inc., Hospital and Clinic are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from Federal and state income taxes on related income pursuant to Section 501(a) of the Code. However, they are required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the System and recognize a tax liability if the System has taken an uncertain position that more likely than not would not be sustained upon examination by various Federal and state taxing authorities. Management has analyzed the tax positions taken by the System and has concluded that as of September 30, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The System is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress.

The remaining consolidated subsidiaries are organized as limited liability companies, whereby net taxable income is taxed directly to the members of the limited liability companies. Thus, the consolidated financial statements do not include any provision for Federal or state income taxes related to these entities.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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These entities have filed their Federal and state income tax returns for periods through their most recent fiscal year ends (primarily December 31, 2011). These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

### Contribution Revenues and In-Kind Donations

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 expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are included in nonoperating revenues (expenses) in the accompanying consolidated financial statements.

In-kind donations are recorded as revenue and expense in the accompanying consolidated financial statements. These donations consist mainly of medical supplies and services which are recorded at their estimated fair values.

### Temporarily Restricted Net Assets

Temporarily restricted net assets include those assets whose use by the System has been temporarily limited primarily for capital projects or a specified time period or purpose. The following is a summary of temporarily restricted net assets as of September 30, 2012 and 2011:

	2012	2011
Patient medical care	\$ 965,132	\$ 1,044,982
Education and scholarship	556,836	464,451
Capital projects	564,374	534,485
Other System support	1,207,500	737,856
	<u>\$ 3,293,842</u>	<u>\$ 2,781,774</u>

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### Permanently Restricted Net Assets

Permanently restricted net assets are contributed with donor restrictions requiring they be held in perpetuity with income used to support the System's activities. The following is a summary of permanently restricted net assets as of September 30, 2012 and 2011:

	2012	2011
Beneficial interest in trusts	\$ 1,071,042	\$ -0-
Other	692,004	692,004
	<u>\$ 1,763,046</u>	<u>\$ 692,004</u>

### Electronic Health Records (EHR) Incentive Payments

The System receives EHR incentive payments under the Medicare and Medicaid programs. To qualify for the EHR incentive payments, the System must meet "meaningful use" criteria that become more stringent over time. The System periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives, and various patient data. These submissions generally include performance measures for each annual EHR reporting period (Federal fiscal year ending September 30<sup>th</sup>). The related EHR incentive payments are paid out over a four year transition schedule and are based upon data that is captured in the System's cost reports. The payment calculation is based upon an initial amount as adjusted for discharges, Medicare and Medicaid utilization using inpatient days multiplied by a factor of total charges excluding charity care to total charges, and a transitional factor that ranges from 100% in first payment year and thereby decreasing by 25% each payment year until it is completely phased out in the fifth year.

The System recognizes EHR incentive payments as income when there is reasonable assurance that the System will comply with the conditions of the meaningful use objectives and any other specific requirements. In addition, the financial statement effects of the income must be both recognizable and measurable. During 2012 and 2011, the System recognized approximately \$6,891,000 and \$-0-, respectively, in EHR incentive payments as income.

EHR incentive income is included in other revenue in the consolidated statements of operations. EHR incentive income recognized is based on management's estimate and amounts are subject to change, with such changes impacting operations in the period the changes occur.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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Receipt of these funds is subject to the fulfillment of certain obligations by the Hospital as prescribed by the program, subject to future audits and may be subject to repayment upon a determination of noncompliance

### Advertising Costs

Advertising costs are expensed as incurred. Total expense for 2012 and 2011 was approximately \$1,736,000 and \$1,991,000, respectively.

### Functional Expenses

The System provides health care services to patients in the community and the surrounding areas. Health care services and other certain related expenses approximated 93% of total expenses in 2012 and 2011. General and administrative expenses approximated 6% in 2012 and 2011. Fundraising expenses comprised less than 1% of total expenses in 2012 and 2011.

### Reclassification

Certain 2011 amounts in the consolidated financial statements have been reclassified to conform to the 2012 presentation.

### Subsequent Events

The System evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are issued, which is December 12, 2012.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

### 2. NET ASSET RECLASSIFICATION

During 2012 as a result of the System's review of donor restricted contributions, the System determined that the classification of net assets should be restated to correctly reflect the intent of donor restrictions. The following is a summary of the net asset reclassification for 2011

	September 30, 2011		
	Originally Reported	Adjustment	Restated
Consolidated balance sheet			
Investments limited as to use			
Board designated funds - Foundation	\$ -0-	\$ 4,879,650	\$ 4,879,650
Donor restricted - Foundation	8,353,428	(4,879,650)	3,473,778
	<u>\$ 8,353,428</u>	<u>\$ -0-</u>	<u>\$ 8,353,428</u>
Net assets - controlling interest			
Unrestricted	\$ 408,544,371	\$ 4,879,650	\$ 413,424,021
Temporarily restricted	8,353,428	(5,571,654)	2,781,774
Permanently restricted	-0-	692,004	692,004
Net assets - controlling interest	<u>\$ 416,897,799</u>	<u>\$ -0-</u>	<u>\$ 416,897,799</u>
Consolidated statement of operations			
Change in			
Unrestricted net assets	\$ 28,850,676	\$ 309,635	\$ 29,160,311
Temporarily restricted net assets	222,939	(309,706)	(86,767)
Permanently restricted net assets	-0-	71	71
Change in net assets	<u>\$ 29,073,615</u>	<u>\$ -0-</u>	<u>\$ 29,073,615</u>
Consolidated statement of changes in net assets			
Net assets - controlling interest			
September 30, 2010			
Unrestricted	\$ 386,970,013	\$ 4,570,015	\$ 391,540,028
Temporarily restricted	8,130,489	(5,261,948)	2,868,541
Permanently restricted	-0-	691,933	691,933
Net assets - controlling interest	<u>\$ 395,100,502</u>	<u>\$ -0-</u>	<u>\$ 395,100,502</u>

The impact of the net asset reclassification was not significant on the consolidated statement of cash flows

### 3. NET PATIENT SERVICE REVENUE

Entities within the System have agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### Medicare

Inpatient acute care services, outpatient services and physician services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. Certain outpatient services and defined medical education costs related to Medicare beneficiaries are paid based on cost reimbursement methodologies. The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. Inpatient non-acute care services are generally reimbursed based upon cost reimbursement methodologies.

### Medicaid and Hospital Assessment Fee Program

Medicaid services are paid at prospectively determined rates per day or per discharge for inpatients or per occasion of service for outpatients. To the extent that services to Medicare and Medicaid program beneficiaries are reimbursed based on cost reimbursement methodologies, final settlement is determined after submission of annual cost reports and audits thereof by the fiscal intermediary.

During 2012, Hospital Assessment Fee (HAF) Program for the period July 1, 2011 through June 30, 2013 was approved by Centers for Medicare & Medicaid Services retroactive to July 1, 2011. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF Program expense reported in the consolidated statements of operations. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2012, the Hospital recognized HAF Program expense of approximately \$23,509,000 which resulted in Medicaid rate increases of approximately \$30,322,000. HAF Program expense is included in other expenses on the consolidated statements of operations.

Estimates for final settlements of all unaudited Medicare and Medicaid cost reports through September 30, 2012 have been recorded. Cost reports through September 30, 2006 have been audited and settled as of September 30, 2012.

Entities within the System also entered into payment agreements with certain other commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.



# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the consolidated statements of operations for 2012 and 2011 is as follows

	2012	2011
Patient service revenue	\$ 1,805,742,287	\$ 1,675,143,029
Adjustments		
Charity care revenue foregone	86,824,440	81,452,985
Uninsured self pay discounts	15,541,694	2,948,832
Contractual adjustments	1,027,805,762	973,504,201
Total adjustments	1,130,171,896	1,057,906,018
Net patient service revenue	675,570,391	617,237,011
Less provision for bad debts	41,765,158	29,515,858
Net patient service revenue net of provision for bad debts	<u>\$ 633,805,233</u>	<u>\$ 587,721,153</u>

Changes to any previous year's estimated settlement are reflected in the period the intermediary finalizes its audit of cost reports, or when additional information becomes available. Settlements related to prior year cost reports and other estimated third-party items resulted in an increase to net patient service revenue of approximately \$2,356,000 and \$1,909,000 in 2012 and 2011, respectively.

The following is mix of gross patient accounts receivable and gross patient service revenue for 2012 and 2011

	Receivable		Revenue	
	2012	2011	2012	2011
Medicare	24%	26%	46%	45%
Medicaid	13%	9%	10%	10%
Commercial and managed care	35%	41%	38%	39%
Self pay and other	28%	24%	6%	6%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

### 4. INVESTMENTS

Investments at fair value consisted of the following as of September 30

	2012	2011
Board designated funds		
Cash and short-term investments	\$ 2,992,774	\$ 591,494
Common stock	35,398,383	22,043,184
Preferred stock	450,005	-0-
Mutual funds	147,400,360	96,254,466
US Government and government agency obligations	20,761,205	18,048,393
Corporate bonds	30,024,887	37,769,979
Private equity	6,777,561	5,049,449
Mortgage backed securities	10,396,295	-0-
Accrued interest and other	-0-	409,558
	<u>254,201,470</u>	<u>180,166,523</u>
Funds held by trustee		
Cash and short-term investments	5,712,886	1,687,395
US Government and government agency obligations	-0-	5,559,934
	<u>5,712,886</u>	<u>7,247,329</u>
Less current portion	<u>5,712,886</u>	<u>7,247,329</u>
	-0-	-0-
Board designated - Foundation and donor restricted - Foundation		
Cash and short-term investments	169,841	164,989
Common stock	1,480,112	1,271,493
Preferred stock	57,710	-0-
Mutual funds	6,627,959	5,720,205
US Government and government agency obligations	997,321	953,936
Accrued interest and other	1,377,288	242,805
	<u>10,710,231</u>	<u>8,353,428</u>
Investments limited as to use, net	<u>\$ 264,911,701</u>	<u>\$ 188,519,951</u>

Investments reported as current assets are those that the System has made available for use in operations within the next twelve months. Investments limited as to use that are required for obligations classified as current liabilities are also reported in current assets.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

A detail of investment income for unrestricted and donor restricted for 2012 and 2011 is as follows

	2012	2011
Interest and dividends	\$ 7,752,129	\$ 6,358,776
Net realized gain	308,747	838,075
Investment income, net	<u>\$ 8,060,876</u>	<u>\$ 7,196,851</u>

The following schedule summarizes the fair value of securities included in investments limited as to use that have gross unrealized losses (the amount by which historical cost exceeds the fair value) as of September 30, 2012 and 2011. The schedule further segregates the securities that have been in a gross unrealized position as of September 30, 2012 and 2011, for less than twelve months and those for twelve months or more. The gross unrealized losses of less than twelve months are a reflection of the normal fluctuations of the market and are therefore considered temporary.

The gross unrealized losses of twelve months or longer are reflective of current market fluctuations. The majority of the decline is attributable to several securities which industry experts expect recovery in the short-term future. These individual investments have projected recoveries in value in 2013. The decline in value is determined by management to be temporary, and unrealized losses have not been reclassified to realized losses as of September 30, 2012 and 2011.

Description of Securities	September 30, 2012					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Government and government agency obligations	\$ 1,725,604	\$ 3,053	\$ -0-	\$ -0-	\$ 1,725,604	\$ 3,053
Common stocks	1,069,138	55,171	6,252,512	1,672,637	7,321,650	1,727,808
Preferred stocks	112,806	712	-0-	-0-	112,806	712
Mutual funds	-0-	-0-	3,264,368	445,497	3,264,368	445,497
Corporate bonds	1,401,616	22,597	1,385,162	37,924	2,786,778	60,521
Mortgage backed securities	784,727	6,121	338,052	14,735	1,122,779	20,856
Total temporarily impaired securities	<u>\$ 5,093,891</u>	<u>\$ 87,654</u>	<u>\$ 11,240,094</u>	<u>\$ 2,170,793</u>	<u>\$ 16,333,985</u>	<u>\$ 2,258,447</u>

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

Description of Securities	September 30, 2011					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Government and government agency obligations	\$ 1,574,306	\$ 6,786	\$ -0-	\$ -0-	\$ 1,574,306	\$ 6,786
Marketable debt securities	5,267,374	99,056	134,064	27,599	5,401,438	126,655
Marketable equity securities	897,406	118,979	32,170,595	5,562,816	33,068,001	5,681,795
Total temporarily impaired securities	<u>\$ 7,739,086</u>	<u>\$ 224,821</u>	<u>\$ 32,304,659</u>	<u>\$ 5,590,415</u>	<u>\$ 40,043,745</u>	<u>\$ 5,815,236</u>

The System's investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

### 5. FAIR VALUE MEASUREMENTS

The System's investments are reported at fair value in the accompanying consolidated balance sheets. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction, which requires an entity to maximize the use of observable inputs when measuring fair value.

The following provides a description of the three levels of inputs that may be used to measure fair value under the standard, the types of the System's investments that fall under each category and the valuation methodologies used to measure these investments at fair value.

#### Level 1 Fair Value Measurements

Inputs to the valuation methodology are quoted prices available in the active markets for identical investments as of the reporting date.

The fair value of common and preferred stocks is based on the closing price reported on the active market on which the individual securities are traded.

The fair value of mutual funds is based on quoted net asset values of the shares held by the System at year-end. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding. The net asset value is quoted in an active market.

The fair value of US Government and government agency obligations is based on the closing price reported on the active market on which the securities are traded.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### Level 2 Fair Value Measurements

Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date and fair value can be determined through the use of models or other valuation methodologies

The fair value of corporate bonds and mortgage and other backed securities is based quoted prices in markets that are not active or for which significant inputs are observable either directly or indirectly

### Level 3 Fair Value Measurements

Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk

Private equity investments, consisting of mainly limited partnerships, are valued at the percentage ownership of the net asset value as reported to the System by the individual managers. The limited partnerships invest in a variety of domestic and foreign equity and debt securities, managed accounts and other investment vehicles that employ diversified styles and strategies

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 and 2011 are as follows

	September 30, 2012			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments limited as to use				
Common stock				
Consumer	\$ 9,935,385	\$ 9,935,385	\$ -0-	\$ -0-
Financial services	4,242,989	4,242,989	-0-	-0-
Industrial and materials	9,109,406	9,109,406	-0-	-0-
Technology	6,406,306	6,406,306	-0-	-0-
Healthcare	3,278,723	3,278,723	-0-	-0-
Other	3,905,686	3,905,686	-0-	-0-
Total common stock	36,878,495	36,878,495	-0-	-0-
Preferred stock				
Financial	420,747	420,747	-0-	-0-
Other	86,968	86,968	-0-	-0-
Total preferred stock	507,715	507,715	-0-	-0-
Mutual funds				
Intermediate term bond	99,949,527	99,949,527	-0-	-0-
International equity	16,820,866	16,820,866	-0-	-0-
Large cap	34,588,657	34,588,657	-0-	-0-
Mid cap	1,233,567	1,233,567	-0-	-0-
Other	1,435,702	1,435,702	-0-	-0-
Total mutual funds	154,028,319	154,028,319	-0-	-0-
US Government and government agency obligations	21,758,526	21,758,526	-0-	-0-
Corporate bonds				
Consumer	4,111,625	-0-	4,111,625	-0-
Financial services	13,429,903	-0-	13,429,903	-0-
Industrial and materials	3,929,351	-0-	3,929,351	-0-
International	3,549,521	-0-	3,549,521	-0-
Other	5,004,487	-0-	5,004,487	-0-
Total corporate bonds	30,024,887	-0-	30,024,887	-0-
Mortgage backed securities	10,396,295	-0-	10,396,295	-0-
Private equity	6,777,561	-0-	-0-	6,777,561
	260,371,798	\$ 213,173,055	\$ 40,421,182	\$ 6,777,561
Cash and cash equivalents	8,875,501			
Accrued interest and other	1,377,288			
	<u>\$ 270,624,587</u>			

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

	September 30, 2011			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments limited as to use				
Common stock				
Consumer	\$ 6,192,511	\$ 6,192,511	\$ -0-	\$ -0-
Financial services	3,787,908	3,787,908	-0-	-0-
Industrial and materials	3,401,834	3,401,834	-0-	-0-
Technology	3,769,918	3,769,918	-0-	-0-
Other	6,162,506	6,162,506	-0-	-0-
Total common stock	23,314,677	23,314,677	-0-	-0-
Mutual funds				
Intermediate term bond	59,261,226	59,261,226	-0-	-0-
International equity	9,954,790	9,954,790	-0-	-0-
Large cap	18,339,899	18,339,899	-0-	-0-
Small cap	14,418,756	14,418,756	-0-	-0-
Total mutual funds	101,974,671	101,974,671	-0-	-0-
US Government and government agency obligations	24,562,263	24,562,263	-0-	-0-
Corporate bonds				
Financial services	14,224,594	-0-	14,224,594	-0-
Industrial and materials	6,267,542	-0-	6,267,542	-0-
Other	17,277,843	-0-	17,277,843	-0-
Total corporate bonds	37,769,979	-0-	37,769,979	-0-
Private equity	5,049,449	-0-	-0-	5,049,449
	192,671,039	\$ 149,851,611	\$ 37,769,979	\$ 5,049,449
Cash and cash equivalents	2,443,878			
Accrued interest and other	652,363			
	<u>\$ 195,767,280</u>			

The following table sets forth a summary of changes in the fair value of level 3 assets for the years ended September 30, 2012 and 2011

	2012	2011
Beginning of year	\$ 5,049,449	\$ 2,655,254
Unrealized and realized gain	228,112	1,394,195
Purchases	1,500,000	1,000,000
End of year	<u>\$ 6,777,561</u>	<u>\$ 5,049,449</u>

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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The following methods and assumptions were used by the System in estimating the fair value of its financial instruments

Cash and cash equivalents, accounts payable, other current liabilities, salaries, wages and related liabilities and estimated third-party settlements The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts payable, other current liabilities, salaries, wages and related liabilities and estimated third-party settlements approximate fair value based on short term maturity

Long-term debt Fair value of the System's fixed rate revenue bonds is based on current transacted value The fair value of the System's remaining long-term debt approximates carrying value based upon the underlying nature of the related debt



# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

### 6. LONG-TERM DEBT

The following is a summary of long-term debt as of September 30, 2012 and 2011

	2012	2011
Hospital Revenue Bonds, Series 1992 Serial bonds, payable annually from January 2004 through January 2022 in amounts ranging from \$300,000 to \$1,700,000 plus interest at variable rates ( 18% and 13% as of September 30, 2012 and 2011, respectively)	\$ 12,900,000	\$ 13,800,000
Hospital Revenue Refunding Bonds, Series 1993 Variable Rate Certificates with maturities beginning in 2004 and ending in 2015, interest rate at SIFMA plus 125 basis points (1 43% as of September 30, 2011), refinanced in 2012	-0-	11,140,000
Hospital Revenue Refunding Bonds, Series 1999A Term bonds, payable from March 2010 through March 2029 in amounts ranging from \$605,000 to \$1,715,000 with interest, rates ranging from 5 50% to 5 75%, refinanced in 2012	-0-	20,270,000
Hospital Revenue Bonds, Series 1999B (taxable) Serial bonds, payable annually from January 2003 through January 2019 in amounts ranging from \$500,000 to \$1,600,000 plus interest at variable rates ( 27% and 36% as of September 30, 2012 and 2011, respectively)	9,200,000	10,200,000
Hospital Revenue Bonds, Series 2004A Term bonds, payable from March 2020 through March 2034 in amounts ranging from \$440,000 to \$8,065,000 with interest, rates ranging from 5 00% to 5 375%	54,765,000	54,765,000
Hospital Revenue Bonds, Series 2004B Serial bonds, payable annually from January 2010 through January 2029 in amounts ranging from \$870,000 to \$1,720,000 plus interest at variable rates ( 19% and 16% as of September 30, 2012 and 2011, respectively)	22,290,000	23,225,000
Hospital Revenue Bonds, Series 2009A Term bonds, payable annually from March 2020 through March 2039 in amounts ranging from \$55,000 to \$12,110,000 with interest, fixed rate 6 75%	57,340,000	57,340,000

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

	2012	2011
Hospital Revenue Bonds, Series 2009B Serial bonds, payable annually from March 2016 through March 2039 in amounts ranging from \$195,000 to \$2,855,000 plus interest at variable rates ( 17% and 19% as of September 30, 2012 and 2011, respectively)	\$ 40,000,000	\$ 40,000,000
Hospital Revenue Bonds, Series 2011A Term bonds, payable from March 2012 through March 2029 in amounts ranging from \$770,000 to \$1,630,000 with interest, rates ranging from 2 50% to 6 00%	19,305,000	-0-
Hospital Revenue Bonds, Series 2012A Term bonds, payable from March 2013 through March 2015 in amounts ranging from \$1,615,000 to \$3,370,000 with interest, fixed rate 1 58%	8,265,000	-0-
Original issue discounts and premiums, net	(985,211)	(1,474,081)
Capital lease obligations, payable in installments ranging from \$3,900 to \$159,000 with interest ranging from 3% to 11%, expiring through January 2016, secured by equipment	4,782,061	6,572,522
Notes payable, due in monthly installments through October 2014, interest ranging from 4 85% to 8 00%, secured by equipment	1,489,761	2,670,991
	229,351,611	238,509,432
Less current portion	10,488,544	10,257,530
Long-term debt, net of current portion	<u>\$ 218,863,067</u>	<u>\$ 228,251,902</u>

On December 12, 2011, the Hospital refinanced the Series 1999A Hospital Revenue Refunding Bonds with the Series 2011A Hospital Revenue Bonds with the terms discussed above

On September 25, 2012, the Series 1993 Hospital Revenue Refunding Bonds were refinanced with the Series 2012A Hospital Revenue Bonds with the terms discussed above

The refinancing of the Series 1999A and Series 1993 bonds resulted in a loss of approximately \$95,000 which is recorded in other nonoperating revenues (expenses) on the consolidated statements of operations

In 2004, the Hospital refinanced its Series 1993 Fixed Rate Bonds and entered into a Total Return Distribution Agreement (Agreement) with a Financial Institution. As a result of the refinancing, the Hospital converted its fixed rate debt to variable rate debt which provided substantial future savings. Under the Agreement, the Hospital

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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paid a variable rate equal to the SIFMA Index plus 125 basis points and received a fixed rate of 5.75%. The Hospital still bore the risks and rewards of ownership of the Series 1993 bonds and the transaction was considered a derivative instrument which was marked to market each period. At termination, a total return payment was due equal to any gain (paid by the Financial Institution) or loss (paid by the Hospital) in the value of the Series 1993 bonds. As of September 30, 2011, the market value of the derivative was \$0. The Agreement expired September 1, 2012 and no amounts were required to settle the termination clause.

The fair value of the fixed rate Hospital Revenue and Revenue Refunding Bonds (Series 2004A, 2009A, 2011A and 2012A) approximated \$152,577,000 (carrying value of \$139,675,000) as of September 30, 2012. The fair value of the fixed rate obligations is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of variable rate debt (Series 1992, 1999B, 2004B and 2009B) approximates its carrying value based on the underlying nature of the related debt.

Interest rates for the variable rate Series 1992, 1999B, 2004B and 2009B bonds are determined on a weekly basis. As provided in the bond agreements, the interest rate determination is subject to conversion, as elected by the Hospital, to other interest modes which determine the frequency, dates, and calculation of interest payments. In addition, bondholders have the option to present the Series 1992 or 1999B bonds for purchase at various times during the year. Commercial banks have agreed, pursuant to two separate Standby Purchase and Credit Agreements (Agreements), to provide liquidity support should any of the Series 1992 or 1999B bonds presented by bondholders for purchase not be remarketed. The Agreements are subject to renegotiations and renewals.

The Series 1992 letter of credit, in the amount of approximately \$13,800,000 with no outstanding balance as of September 30, 2012, expires in August 2013. In the event of a failed remarketing, a liquidity advance bears interest at the bank's prime rate plus 1%, payable monthly. Principal on the liquidity advance is due in twelve equal quarterly installments beginning 367 days after the liquidity advance. Reimbursements of other than liquidity drawings are due on the date such drawing is honored.

The Series 1999B letter of credit, in the amount of approximately \$10,200,000 with no outstanding balance as of September 30, 2012, expires in July 2014. In the event of a liquidity drawing, the System will reimburse the bank in quarterly installments through the termination date unless the bonds are remarketed, redeemed or purchased at which time the liquidity advance is due. Reimbursements of other than liquidity drawings are due on the date such drawing is honored.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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The Series 2004B letter of credit, in the amount of approximately \$23,225,000 with no outstanding balance as of September 30, 2012 expires in August 2013. Any liquidity advance is due at the earlier of the stated expiration date of the letter of credit (August 2013), the date the pledged bonds are redeemed pursuant to the bond indenture, the date the pledged bonds are remarketed or purchased by the Hospital or the date an alternative credit facility is issued. Principal on the liquidity advance is due in twelve equal quarterly installments beginning 367 days after the liquidity advance. Reimbursements of other than liquidity drawings are due on the date such drawing is honored.

The Series 2009B letter of credit, in the amount of approximately \$40,100,000 with no outstanding balance as of September 30, 2012 expires in July 2014. Any liquidity advance is due at the earlier of the stated expiration date of the letter of credit (June 2014), the date the pledged bonds are redeemed pursuant to the bond indenture, the date the pledged bonds are remarketed or purchased by the Hospital or the date an alternative credit facility is issued. Reimbursements of other than liquidity drawings are due on the date such drawing is honored.

Additionally, all of the Series bonds are secured by a security interest in the Hospital's revenue. The Hospital covenants that it will not permit any lien or security interest on the Hospital facility other than certain permitted encumbrances. In addition, the various agreements require maintenance of certain debt service income ratios, limit additional borrowings, and require compliance with various other restrictive covenants.

The asset cost on the capital leased assets as of September 30, 2012 and 2011 was approximately \$15,657,000 and \$13,272,000, respectively. The accumulated amortization on the capital leased assets as of September 30, 2012 and 2011 was approximately \$8,327,000 and \$6,230,000, respectively.

The net book value of the equipment securing the notes payable approximated the carrying value of the notes as of September 30, 2012 and 2011.

As of September 30, 2012, the System had outstanding construction commitments of approximately \$4,700,000.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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Aggregate maturities of long-term debt are as follows and include the subsequent refinancing of the Series 1992 and 1999B bonds as discussed below

Year Ending September 30,	
2013	\$ 10,488,544
2014	9,223,287
2015	6,356,820
2016	4,932,929
2017	5,029,593
Thereafter	<u>193,320,438</u>
	<u>\$ 229,351,611</u>

Subsequent to September 30, 2012, the Hospital refinanced the Series 1992 Hospital Revenue Bonds with the Series 2012B Hospital Revenue Bonds issued for \$13,005,000 with a fixed interest rate of 2.3%. The annual principal amounts are due January 2013 through January 2022 and range from \$880,000 to \$1,755,000.

Subsequent to September 30, 2012, the Hospital refinanced the Series 1999B Hospital Revenue Bonds with the Series 2012C Hospital Revenue Bonds issued for \$9,300,000 with a fixed interest rate of 2.28%. The annual principal amounts due January 2013 through January 2019 and range from \$1,100,000 to \$1,625,000.

### 7. LINE OF CREDIT

The Heart Hospital at Deaconess Gateway, LLC (Heart Hospital) has a line of credit available with a local financial institution. Amounts outstanding as of September 30, 2012 and 2011 were approximately \$-0- and \$1,100, respectively. As of September 30, 2012, the line of credit maximum amount was \$2,000,000 bearing interest at the one month LIBOR rate plus 1.75% but never to be less than 3.00%. Interest at September 30, 2012 was 3.00%. The line of credit is secured by accounts receivable, inventory and equipment maturing April 2013.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### 8. PENSION PLANS

The System offers a noncontributory defined benefit pension plan covering eligible employees. Benefits are based on each participant's years of service and compensation. Contributions to the plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. During 2012, the defined benefit pension plan was closed to new participants. Additionally, changes were made to benefit accruals for certain participants. Participants should refer to the plan document for more complete information.

The following table sets forth the funded status of the defined benefit plan and amounts recognized in the financial statements as of and for the years ended September 30, 2012 and 2011.

	2012	2011
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 190,785,744	\$ 178,156,621
Service cost	5,395,127	9,239,543
Interest cost	9,827,839	9,676,244
Benefits paid	(4,342,253)	(3,823,621)
Actuarial (gain) loss	38,259,719	(2,463,043)
Benefit obligation, end of year	<u>\$ 239,926,176</u>	<u>\$ 190,785,744</u>
Changes in plan assets		
Fair value of plan assets, beginning of year	\$ 126,825,040	\$ 122,468,339
Actual return on plan assets	24,950,657	176,322
Employer contributions	8,004,000	8,004,000
Benefits paid	(4,342,253)	(3,823,621)
Fair value of plan assets, end of year	<u>\$ 155,437,444</u>	<u>\$ 126,825,040</u>
Funded status		
Funded status of the plan, end of year	<u>\$ (84,488,732)</u>	<u>\$ (63,960,704)</u>
Amounts recognized in the consolidated balance sheets consist of		
Other long-term liabilities	<u>\$ (84,488,732)</u>	<u>\$ (63,960,704)</u>

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

Other pension disclosures for 2012 and 2011 include

	<u>2012</u>	<u>2011</u>
Amounts not yet reflected in net periodic benefit cost and included in other changes in unrestricted net assets		
Transition obligation asset (obligation)	\$ -0-	\$ -0-
Prior service cost	(10,006)	(66,561)
Accumulated loss	<u>(90,624,030)</u>	<u>(70,031,545)</u>
Other changes in unrestricted net assets	(90,634,036)	(70,098,106)
Cumulative employer contributions in excess of net periodic pension cost	<u>6,145,304</u>	<u>6,137,402</u>
Net amount recognized in the consolidated balance sheets	<u><u>\$ (84,488,732)</u></u>	<u><u>\$ (63,960,704)</u></u>
Components of net periodic benefit cost		
Service cost	\$ 5,395,127	\$ 9,239,543
Interest cost	9,827,839	9,676,244
Expected return on plan assets	(11,519,349)	(10,537,762)
Amortization of prior year service cost	8,105	19,751
Amortization of loss	4,235,926	3,880,691
Curtailment loss recognized	<u>48,450</u>	<u>-0-</u>
Net periodic benefit cost	<u><u>\$ 7,996,098</u></u>	<u><u>\$ 12,278,467</u></u>
Other changes in unrestricted net assets		
Prior service cost arising during year	\$ -0-	\$ -0-
Net loss (gain) arising during year	24,828,411	7,898,398
Amortization of prior service cost	(56,555)	(19,751)
Amortization of loss	<u>(4,235,926)</u>	<u>(3,880,691)</u>
Total other changes in unrestricted net assets	<u><u>\$ 20,535,930</u></u>	<u><u>\$ 3,997,956</u></u>
Estimated amounts that will be amortized from other changes in unrestricted net assets over the next fiscal year		
Amortization of transition (obligation) asset	\$ -0-	
Amortization of prior service (cost) credit	\$ (4,222)	
Amortization of loss	\$ (6,285,982)	
Weighted-average actuarial assumptions to determine benefit obligations of September 30		
Discount rate	4 10%	5 40%
Rate of compensation increase	3 50%	3 50%
Measurement date	9/30/12	9/30/11

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

	2012	2011
Weighted-average actuarial assumptions to determine net periodic pension cost as of September 30		
Discount rate	5.40%	5.50%
Expected long-term rate of return	8.50%	8.50%
Rate of compensation increase	3.50%	3.50%
Additional year end information		
Projected benefit obligation	\$ 239,926,176	\$ 190,785,744
Accumulated benefit obligation	\$ 221,536,482	\$ 167,709,765
Fair value of plan assets	\$ 155,437,444	\$ 126,825,040

The following is a schedule by year of expected benefit payments as of September 30, 2012

Year Ending September 30,	
2013	\$ 5,386,000
2014	6,241,000
2015	6,963,000
2016	7,662,000
2017	8,498,000
2018-2022	58,117,000
	<u>\$ 92,867,000</u>

Determination of net periodic pension cost for the years ended September 30, 2012 and 2011 is based on assumptions and census data as of January 1, 2012 and 2011, respectively

The principal long-term determinant of a portfolio's investment return is its asset allocation. The plan allocation includes growth assets (60%) and fixed income (40%). In addition, active management strategies have added value relative to passive benchmark returns. The expected long-term rate of return assumption is based on the mix of assets in the plan, the long-term earnings expected to be associated with each asset class, and the additional return expected through active management. This assumption is periodically benchmarked against peer plans.

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.



# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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The plan's weighted-average, asset allocations as of September 30, 2012 and 2011, by asset category, are as follows

	<u>2012</u>	<u>2011</u>
Equity		
Mutual funds	34%	29%
Common/collective trusts	17%	18%
Common stocks	<u>4%</u>	<u>4%</u>
Total equity	<u>55%</u>	<u>51%</u>
Fixed income		
Mutual funds	32%	34%
Common/collective trusts	<u>9%</u>	<u>10%</u>
Total fixed income	<u>41%</u>	<u>44%</u>
Private equity	<u>4%</u>	<u>5%</u>
	<u>100%</u>	<u>100%</u>

The allocation strategy for the plan currently comprises approximately 50% to 70% growth investments (target of 60%) and 30% to 50% fixed-income investments (target of 40%). Within the growth investment classification, the plan asset strategy encompasses equity and equity-like instruments that are expected to represent approximately 60% of the System's plan asset portfolio of both public and private market investments. The largest component of these equity and equity-like instruments is public equity securities that are well diversified and invested in U S and international companies.

Fair value of mutual funds and marketable equity securities are based on the quoted prices in active markets. Common/collective trusts are valued at the net asset value on a private market that is not active. However, the underlying investments are traded on an active market. The fair value of the private equity funds is valued at the percentage ownership of the net asset value as reported to the plan by the individual managers.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

The following is an analysis of fair value of the major classes of plan assets of September 30, 2012 and 2011

	2012	2011
Level 1		
Mutual funds		
Intermediate bond	\$ 48,159,718	\$ 43,010,627
Large blend	34,384,374	23,118,109
Foreign	18,292,164	13,814,049
Total mutual funds	100,836,256	79,942,785
Common stocks		
Financial services	1,199,403	1,290,814
Industrial and materials	1,919,907	746,957
Other	2,564,466	2,651,926
Total common stocks	5,683,776	4,689,697
Total Level 1	106,520,032	84,632,482
Level 2		
Common/collective trusts	39,649,817	35,169,547
Level 3		
Private equity	6,247,198	6,253,887
	152,417,047	126,055,916
Cash equivalents	3,020,397	769,124
	<u>\$ 155,437,444</u>	<u>\$ 126,825,040</u>

The following is a summary of changes in the fair value of the level 3 assets for 2012 and 2011

	2012	2011
Balance, beginning of year	\$ 6,253,887	\$ 10,606,536
Unrealized gains (losses) relating to instruments still still held at the reporting date	(6,689)	(628,533)
Purchases, sales, issuances and settlements, net	-0-	(3,724,116)
	<u>\$ 6,247,198</u>	<u>\$ 6,253,887</u>

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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The System expects to contribute in excess of the required funding amounts to its pension plan in 2013, currently approximating \$8,000,000

The System also offers a 401k plan to eligible employees. Total expense for the System's contributions for eligible employees for 2012 and 2011 was approximately \$6,667,000 and \$2,237,000, respectively. During 2012, the System changed the 401k plan to enhance employer contributions for discretionary and matching amounts.

### 9. RELATED PARTY TRANSACTIONS

The Hospital is a joint-owner of The Women's Hospital. The Hospital owns the building in which The Women's Hospital is located and leases the space to The Women's Hospital currently at \$230,000 per month with an option to increase that amount annually through June 2030. The Hospital provides ancillary services (lab, radiology) for The Women's Hospital. Ancillary services provided were approximately \$2,241,000 and \$1,961,000 in 2012 and 2011, respectively. The Hospital also has two notes receivable due from The Women's Hospital for equipment. The combined balance of the notes receivable was approximately \$152,000 and \$252,000 as of September 30, 2012 and 2011, respectively.

The Hospital is a joint owner of Evansville Surgery Center Associates, LLC (Surgery Center). The Hospital recorded contract service expense related to the Surgery Center of approximately \$28,922,000 in 2012 and \$28,237,000 in 2011. As of September 30, 2012 and 2011, the Hospital had a liability to the Surgery Center of approximately \$3,091,000 and \$2,653,000, respectively.

The Hospital is a joint-owner of HealthSouth Deaconess Rehabilitation Hospital. The Hospital provides ancillary services (lab, radiology) to HealthSouth Deaconess Rehabilitation Hospital. Ancillary services provided were approximately \$684,000 and \$508,000 in 2012 and 2011, respectively.

# DEACONESS HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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### 10. COMMITMENTS AND CONTINGENCIES

#### Operating leases

The System leases various equipment and facilities under operating leases expiring at various dates through 2020. Total lease expense for 2012 and 2011 was approximately \$11,506,000 and \$11,495,000, respectively. The following are the minimum lease payments for the years after September 30, 2012.

Year Ending September 30,	
2013	\$ 12,036,000
2014	10,519,000
2015	10,132,000
2016	7,749,000
2017	6,973,000
Thereafter	22,051,000
	<u>\$ 69,460,000</u>

#### Litigation

The System is involved in litigation and regulatory matters arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's future financial position, results from operations or cash flows.

#### Health Insurance

The System's employee health care insurance is provided through a combination of insured, self-insured and purchased re-insurance coverage from a commercial carrier. The System maintains an estimated liability for the amount of claims incurred but not reported. Substantially all employees are covered for major medical benefits. The self-insured health coverage carries a stop-loss maximum of \$200,000 per case with no aggregate limit.

## SUPPLEMENTARY INFORMATION

# DEACONESS HEALTH SYSTEM

## CONSOLIDATING BALANCE SHEETS SEPTEMBER 30, 2012

	Consolidated Deaconess Health System	Eliminations	Deaconess Health System Obligated Group	Deaconess Clinic, Inc	Heart Care Health System, LLC	Progressive Health of Indiana, LLC	The Heart Hospital At Deaconess Gateway, LLC	Tri-State Radiation Oncology, LLC	Deaconess Health Plans, LLC	Deaconess Care Integration, LLC
<b>Assets</b>										
Current assets										
Cash and cash equivalents	\$ 63,419,560	\$ -0-	\$ 56,706,670	\$ -0-	\$ -0-	\$ 754,324	\$ 1,974,497	\$ 1,807,179	\$ 2,176,890	\$ -0-
Funds held by trustee, current portion	5,712,886	-0-	5,712,886	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Patient accounts receivable, net	101,449,536	-0-	86,846,708	6,865,103	-0-	53,491	7,073,325	610,909	-0-	-0-
Inventories	6,362,040	-0-	5,592,070	-0-	-0-	4,400	765,570	-0-	-0-	-0-
Prepaid expenses and other current assets	11,060,431	(1,513,941)	9,817,210	1,349,513	-0-	1,235,983	81,249	90,417	-0-	-0-
Total current assets	188,004,453	(1,513,941)	164,675,544	8,214,616	-0-	2,048,198	9,894,641	2,508,505	2,176,890	-0-
Investments limited as to use, less current portion										
Board designated funds	254,201,470	-0-	254,079,240	122,230	-0-	-0-	-0-	-0-	-0-	-0-
Board designated funds - Foundation	5,653,343	-0-	5,653,343	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Donor restricted - Foundation	5,056,888	-0-	5,056,888	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total investments limited as to use	264,911,701	-0-	264,789,471	122,230	-0-	-0-	-0-	-0-	-0-	-0-
Property and equipment										
Land and improvements	18,316,168	-0-	18,316,168	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Buildings and improvements	493,491,934	-0-	492,832,278	-0-	-0-	18,401	-0-	641,255	-0-	-0-
Furniture, fixtures and equipment	254,137,426	-0-	238,344,246	6,562,741	-0-	100,540	5,964,110	2,971,387	194,402	-0-
	765,945,528	-0-	749,492,692	6,562,741	-0-	118,941	5,964,110	3,612,642	194,402	-0-
Less allowances for depreciation	422,607,617	-0-	415,028,235	3,465,490	-0-	77,557	2,785,917	1,056,333	194,085	-0-
	343,337,911	-0-	334,464,457	3,097,251	-0-	41,384	3,178,193	2,556,309	317	-0-
Construction in progress	9,884,463	-0-	9,500,253	379,241	-0-	-0-	4,969	-0-	-0-	-0-
Total property and equipment, net	353,222,374	-0-	343,964,710	3,476,492	-0-	41,384	3,183,162	2,556,309	317	-0-
Other assets										
Deferred financing costs	2,762,552	-0-	2,762,552	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Investments in joint ventures	22,865,777	(13,941,787)	36,707,090	100,474	-0-	-0-	-0-	-0-	-0-	-0-
Goodwill	22,217,481	-0-	15,522,010	36,656	-0-	-0-	6,658,815	-0-	-0-	-0-
Other	11,679,179	-0-	11,663,941	-0-	-0-	13,513	-0-	1,725	-0-	-0-
Total other assets	59,524,989	(13,941,787)	66,655,593	137,130	-0-	13,513	6,658,815	1,725	-0-	-0-
Total assets	\$ 865,663,517	\$ (15,455,728)	\$ 840,085,318	\$ 11,950,468	\$ -0-	\$ 2,103,095	\$ 19,736,618	\$ 5,066,539	\$ 2,177,207	\$ -0-

# DEACONESS HEALTH SYSTEM

## CONSOLIDATING BALANCE SHEETS SEPTEMBER 30, 2012

	Consolidated Deaconess Health System	Eliminations	Deaconess Health System Obligated Group	Deaconess Clinic, Inc	Heart Care Health System, LLC	Progressive Health of Indiana, LLC	The Heart Hospital At Deaconess Gateway, LLC	Tri-State Radiation Oncology, LLC	Deaconess Health Plans, LLC	Deaconess Care Integration, LLC
<b>Liabilities and net assets</b>										
Current liabilities										
Accounts payable and other current liabilities	\$ 33,058,097	\$ (1,513,941)	\$ 28,493,016	\$ 1,366,221	\$ -0-	\$ 174,980	\$ 3,699,972	\$ 738,264	\$ 70,149	\$ 29,436
Salaries, wages and related liabilities	39,843,727	-0-	31,659,485	7,538,825	-0-	473,178	-0-	172,239	-0-	-0-
Estimated third-party payor settlements	6,415,881	-0-	4,311,195	-0-	-0-	-0-	2,104,686	-0-	-0-	-0-
Accrued interest	651,549	-0-	651,549	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Line of credit	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Current portion of long-term debt	10,488,544	-0-	9,642,108	-0-	-0-	-0-	-0-	846,436	-0-	-0-
Total current liabilities	90,457,798	(1,513,941)	74,757,353	8,905,046	-0-	648,158	5,804,658	1,756,939	70,149	29,436
Long-term liabilities										
Long-term debt, less current portion	218,863,067	-0-	217,809,270	-0-	-0-	-0-	-0-	1,053,797	-0-	-0-
Other long-term liabilities	90,803,439	-0-	90,715,760	-0-	-0-	-0-	-0-	87,679	-0-	-0-
Total long-term liabilities	309,666,506	-0-	308,525,030	-0-	-0-	-0-	-0-	1,141,476	-0-	-0-
Total liabilities	400,124,304	(1,513,941)	383,282,383	8,905,046	-0-	648,158	5,804,658	2,898,415	70,149	29,436
Net assets										
Unrestricted	451,746,047	(22,678,065)	451,746,047	3,045,422	-0-	1,454,937	13,931,960	2,168,124	2,107,058	(29,436)
Temporarily restricted	3,293,842	-0-	3,293,842	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Permanently restricted	1,763,046	-0-	1,763,046	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net assets - controlling interest	456,802,935	(22,678,065)	456,802,935	3,045,422	-0-	1,454,937	13,931,960	2,168,124	2,107,058	(29,436)
Non-controlling interest	8,736,278	8,736,278	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total net assets	465,539,213	(13,941,787)	456,802,935	3,045,422	-0-	1,454,937	13,931,960	2,168,124	2,107,058	(29,436)
Total liabilities and net assets	\$ 865,663,517	\$ (15,455,728)	\$ 840,085,318	\$ 11,950,468	\$ -0-	\$ 2,103,095	\$ 19,736,618	\$ 5,066,539	\$ 2,177,207	\$ -0-

See report of independent auditors on page 1

# DEACONESS HEALTH SYSTEM

## CONSOLIDATING STATEMENTS OF OPERATIONS YEAR ENDED SEPTEMBER 30, 2012

	Consolidated Deaconess Health System	Eliminations	Deaconess Health System Obligated Group	Deaconess Clinic, Inc	Heart Care Health System, LLC	Progressive Health of Indiana, LLC	The Heart Hospital At Deaconess Gateway, LLC	Tri-State Radiation Oncology, LLC	Deaconess Health Plans, LLC	Deaconess Care Integration, LLC
<b>Unrestricted revenue and other support</b>										
Net patient service revenue	\$ 675,570,391	\$ -0-	\$ 566,491,846	\$ 52,002,658	\$ -0-	\$ 1,442,597	\$ 51,771,272	\$ 3,862,018	\$ -0-	\$ -0-
Less provision for bad debts	41,765,158	-0-	39,321,491	830,976	-0-	36,362	1,537,873	38,456	-0-	-0-
Net patient service revenue net of provision for bad debts	633,805,233	-0-	527,170,355	51,171,682	-0-	1,406,235	50,233,399	3,823,562	-0-	-0-
Other revenue	42,835,021	(5,413,741)	26,080,204	4,550,306	-0-	12,509,863	1,333,384	2,618,613	1,156,392	-0-
Total unrestricted revenue and other support	676,640,254	(5,413,741)	553,250,559	55,721,988	-0-	13,916,098	51,566,783	6,442,175	1,156,392	-0-
<b>Expenses</b>										
Salaries and wages	251,853,175	-0-	198,890,651	44,185,624	-0-	6,882,692	-0-	1,416,656	477,552	-0-
Employee benefits	70,832,778	-0-	61,256,501	8,120,049	-0-	1,065,851	-0-	245,222	145,155	-0-
Supplies	110,192,200	-0-	90,686,185	4,857,174	-0-	56,950	14,486,674	93,230	11,835	152
Contract services	69,608,219	(13,018,833)	55,242,428	6,699,651	-0-	1,356,539	18,640,735	461,765	71,778	154,156
Repairs and maintenance	19,689,741	-0-	18,924,274	397,886	-0-	7,610	359,971	-0-	-0-	-0-
Depreciation	39,625,915	-0-	37,687,754	851,035	-0-	17,839	463,740	605,463	84	-0-
Interest	9,227,267	-0-	9,043,962	-0-	-0-	-0-	4,412	178,893	-0-	-0-
Utilities	13,209,277	-0-	11,166,563	1,620,386	-0-	47,527	305,712	56,543	12,546	-0-
Other	51,909,459	(477,216)	39,342,459	7,045,935	41	494,927	4,003,792	1,364,311	133,254	1,956
Total expenses	636,148,031	(13,496,049)	522,240,777	73,777,740	41	9,929,935	38,265,036	4,422,083	852,204	156,264
Income (loss) from operations	40,492,223	8,082,308	31,009,782	(18,055,752)	(41)	3,986,163	13,301,747	2,020,092	304,188	(156,264)
<b>Nonoperating revenues (expenses)</b>										
Investment income	8,036,317	-0-	8,033,047	(825)	-0-	-0-	1,435	-0-	2,660	-0-
Contributions, gifts, and bequests	469,250	-0-	469,250	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Grants	(1,525,180)	-0-	(1,525,180)	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other nonoperating	(4,574)	-0-	(4,574)	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total nonoperating revenues (expenses)	6,975,813	-0-	6,972,543	(825)	-0-	-0-	1,435	-0-	2,660	-0-
Excess revenues over (under) expenses	47,468,036	8,082,308	37,982,325	(18,056,577)	(41)	3,986,163	13,303,182	2,020,092	306,848	(156,264)
<b>Other changes in unrestricted net assets</b>										
Net unrealized gain on investments	20,183,539	-0-	20,183,539	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Pension related changes other than net periodic pension cost	(20,535,930)	-0-	(20,535,930)	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net assets released from restriction	692,091	-0-	692,091	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Capital contributions	-0-	(17,934,670)	-0-	17,807,842	-0-	-0-	-0-	-0-	-0-	126,828
Distributions	-0-	20,862,580	-0-	-0-	(112,373)	(3,930,455)	(14,895,113)	(1,920,999)	(3,640)	-0-
Change in unrestricted net assets	47,807,736	11,010,218	38,322,025	(248,735)	(112,414)	55,708	(1,591,931)	99,093	303,208	(29,436)
<b>Temporarily restricted net assets</b>										
Contributions, gifts, and bequests	1,122,293	-0-	1,122,293	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net unrealized gain on investments	57,307	-0-	57,307	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Investment income	24,559	-0-	24,559	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net assets released from restriction	(692,091)	-0-	(692,091)	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Change in temporarily restricted net assets	512,068	-0-	512,068	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>Permanently restricted net assets</b>										
Contributions, gifts, and bequests	1,071,042	-0-	1,071,042	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>Consolidated change in net assets</b>	49,390,846	11,010,218	39,905,135	(248,735)	(112,414)	55,708	(1,591,931)	99,093	303,208	(29,436)
Less amount attributable to non-controlling interest	(9,485,710)	(9,485,710)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Change in net assets attributable to controlling interest	\$ 39,905,136	\$ 1,524,508	\$ 39,905,135	\$ (248,735)	\$ (112,414)	\$ 55,708	\$ (1,591,931)	\$ 99,093	\$ 303,208	\$ (29,436)



# DEACONESS HEALTH SYSTEM

## CONSOLIDATING BALANCE SHEETS – DEACONESS HEALTH SYSTEM OBLIGATED GROUP SEPTEMBER 30, 2012

	Deaconess Health System Obligated Group	Eliminations	Deaconess Health System, Inc	Deaconess Hospital, Inc
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 56,706,670	\$ -0-	\$ 2,035,208	\$ 54,671,462
Funds held by trustee, current portion	5,712,886	-0-	-0-	5,712,886
Patient accounts receivable, net	86,846,708	-0-	-0-	86,846,708
Inventories	5,592,070	-0-	-0-	5,592,070
Prepaid expenses and other current assets	9,817,210	(104,032)	134,339	9,786,903
Total current assets	164,675,544	(104,032)	2,169,547	162,610,029
Investments limited as to use, less current portion				
Board designated funds	254,079,240	-0-	-0-	254,079,240
Board designated funds - Foundation	5,653,343	-0-	-0-	5,653,343
Donor restricted - Foundation	5,056,888	-0-	-0-	5,056,888
Total investments limited as to use	264,789,471	-0-	-0-	264,789,471
Property and equipment				
Land and improvements	18,316,168	-0-	3,460,502	14,855,666
Buildings and improvements	492,832,278	-0-	38,582,864	454,249,414
Furniture, fixtures and equipment	238,344,246	-0-	224,545	238,119,701
	749,492,692	-0-	42,267,911	707,224,781
Less allowances for depreciation	415,028,235	-0-	27,109,258	387,918,977
	334,464,457	-0-	15,158,653	319,305,804
Construction in progress	9,500,253	-0-	97,307	9,402,946
Total property and equipment, net	343,964,710	-0-	15,255,960	328,708,750
Other assets				
Deferred financing costs	2,762,552	-0-	-0-	2,762,552
Investments in joint ventures	36,707,090	-0-	3,015,986	33,691,104
Goodwill	15,522,010	-0-	-0-	15,522,010
Other	11,663,941	(73,229)	-0-	11,737,170
Total other assets	66,655,593	(73,229)	3,015,986	63,712,836
Total assets	\$ 840,085,318	\$ (177,261)	\$ 20,441,493	\$ 819,821,086

See report of independent auditors on page 1

# DEACONESS HEALTH SYSTEM

## CONSOLIDATING BALANCE SHEETS – DEACONESS HEALTH SYSTEM OBLIGATED GROUP SEPTEMBER 30, 2012

	Deaconess Health System Obligated Group	Eliminations	Deaconess Health System, Inc	Deaconess Hospital, Inc
<b>Liabilities and net assets</b>				
Current liabilities				
Accounts payable and other current liabilities	\$ 28,493,016	\$ (104,032)	\$ 822,768	\$ 27,774,280
Salaries, wages and related liabilities	31,659,485	-0-	-0-	31,659,485
Estimated third-party payor settlements	4,311,195	-0-	-0-	4,311,195
Accrued interest	651,549	-0-	-0-	651,549
Current portion of long-term debt	9,642,108	-0-	-0-	9,642,108
Total current liabilities	74,757,353	(104,032)	822,768	74,038,617
Long-term liabilities				
Long-term debt, less current portion	217,809,270	-0-	-0-	217,809,270
Other long-term liabilities	90,715,760	-0-	-0-	90,715,760
Total long-term liabilities	308,525,030	-0-	-0-	308,525,030
Total liabilities	383,282,383	(104,032)	822,768	382,563,647
Net assets				
Unrestricted	451,746,047	(73,229)	19,618,725	432,200,551
Temporarily restricted	3,293,842	-0-	-0-	3,293,842
Permanently restricted	1,763,046	-0-	-0-	1,763,046
Net assets - controlling interest	456,802,935	(73,229)	19,618,725	437,257,439
Non-controlling interest	-0-	-0-	-0-	-0-
Total net assets	456,802,935	(73,229)	19,618,725	437,257,439
Total liabilities and net assets	\$ 840,085,318	\$ (177,261)	\$ 20,441,493	\$ 819,821,086

See report of independent auditors on page 1

# DEACONESS HEALTH SYSTEM

## CONSOLIDATING STATEMENTS OF OPERATIONS – DEACONESS HEALTH SYSTEM OBLIGATED GROUP YEAR ENDED SEPTEMBER 30, 2012

	Deaconess Health System Obligated Group	Eliminations	Deaconess Health System, Inc	Deaconess Hospital, Inc
<b>Unrestricted revenue and other support</b>				
Net patient service revenue	\$ 566,491,846	\$ -0-	\$ -0-	\$ 566,491,846
Less provision for bad debts	39,321,491	-0-	-0-	39,321,491
Net patient service revenue net of provision for bad debts	527,170,355	-0-	-0-	527,170,355
Other revenue (expense)	26,080,204	(1,688,564)	(14,746,479)	42,515,247
Total unrestricted revenue and other support	553,250,559	(1,688,564)	(14,746,479)	569,685,602
<b>Expenses</b>				
Salaries and wages	198,890,651	-0-	-0-	198,890,651
Employee benefits	61,256,501	-0-	-0-	61,256,501
Supplies	90,686,185	-0-	10,049	90,676,136
Contract services	55,242,428	-0-	1,053,724	54,188,704
Repairs and maintenance	18,924,274	-0-	433,861	18,490,413
Depreciation	37,687,754	-0-	950,125	36,737,629
Interest	9,043,962	-0-	-0-	9,043,962
Utilities	11,166,563	-0-	614,428	10,552,135
Other	39,342,459	(1,688,564)	575,365	40,455,658
Total expenses	522,240,777	(1,688,564)	3,637,552	520,291,789
Income (loss) from operations	31,009,782	-0-	(18,384,031)	49,393,813
<b>Nonoperating revenues (expenses)</b>				
Investment income	8,033,047	-0-	2,451	8,030,596
Contributions, gifts, and bequests	469,250	-0-	-0-	469,250
Grants	(1,525,180)	-0-	-0-	(1,525,180)
Other nonoperating	(4,574)	-0-	-0-	(4,574)
Total nonoperating revenues (expenses)	6,972,543	-0-	2,451	6,970,092
Excess revenues over (under) expenses	37,982,325	-0-	(18,381,580)	56,363,905
<b>Other changes in unrestricted net assets</b>				
Net unrealized loss on investments	20,183,539	-0-	-0-	20,183,539
Pension related changes other than net periodic pension cost	(20,535,930)	-0-	-0-	(20,535,930)
Net assets released from restriction	692,091	-0-	-0-	692,091
Transfers	-0-	-0-	17,807,845	(17,807,845)
Change in unrestricted net assets	38,322,025	-0-	(573,735)	38,895,760
<b>Temporarily restricted net assets</b>				
Contributions, gifts, and bequests	1,122,293	-0-	-0-	1,122,293
Net unrealized gain on investments	57,307	-0-	-0-	57,307
Investment income	24,559	-0-	-0-	24,559
Net assets released from restriction	(692,091)	-0-	-0-	(692,091)
Change in temporarily restricted net assets	512,068	-0-	-0-	512,068
<b>Permanently restricted net assets</b>				
Contributions, gifts, and bequests	1,071,042	-0-	-0-	1,071,042
<b>Consolidated change in net assets</b>	<u>\$ 39,905,135</u>	<u>\$ -0-</u>	<u>\$ (573,735)</u>	<u>\$ 40,478,870</u>

See report of independent auditors on page 1

Additional Data

Software ID:  
Software Version:  
EIN: 35-0593390  
Name: DEACONESS HOSPITAL INC

Form 990, Special Condition Description:

Special Condition Description
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Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services
(Code ) (Expenses \$ 295,491 including grants of \$ 295,491 ) (Revenue \$ 26,285,383 ) ALL OTHER ACCOMPLISHMENTS - OTHER PROGRAM SERVICE REVENUE CONSISTS OF DEACONESS HOSPITAL'S INCOME FROM THE INVESTMENT IN JOINT VENTURES OTHER PROGRAM SERVICE EXPENSES CONSISTED OF COMMUNITY BENEFIT GRANTS/ASSISTANCE

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
LINDA E WHITE PRESIDENT/ CEO	50 00	X		X				618,312	307,336	199,466
JEROME A BENKERT JR CHAIRMAN	5 00	X						4,400	0	0
STEVEN T TITZER CPA VICE CHAIRMAN	5 00	X						5,000	0	0
JOHN ENGELBRECHT TREASURER	5 00	X						5,200	0	0
BRUCE STALLINGS SECRETARY	5 00	X						5,800	0	0
BRUCE ADYE MD DIRECTOR	5 00	X						4,600	0	0
MICHAEL J ALLEY DIRECTOR	5 00	X						800	0	0
IRA G BOOTS DIRECTOR	5 00	X						3,800	0	0
STEVEN A CHURCH DIRECTOR	5 00	X						4,000	0	0
REV DR JOSEPH FRACCARO DIRECTOR	5 00	X						3,800	0	0
DR H RAY HOOPS DIRECTOR	5 00	X						4,600	0	0
DAVID A KOEHLER JR MD DIRECTOR	5 00	X						5,400	189,389	5,063
MATTHEW R LEE MD DIRECTOR	5 00	X						5,200	0	0
WILLIAM PENLAND MD DIRECTOR	5 00	X						3,600	0	0
RUSTON L STOLTZ MD DIRECTOR	5 00	X						6,470	320,466	23,579
ROBERT B WRIGHT DIRECTOR	5 00	X						4,800	0	0
DANIEL W WHITEHEAD MD DIRECTOR	5 00	X						23,600	0	0
SHAWN W MCCOY CHIEF ADMINISTRATIVE OFFIC	50 00			X				483,947	8,200	113,644
CHERYL A WATHEN CHIEF FINANCIAL OFFICER	50 00			X				211,355	135,837	96,986
JAMES R PORTER MD CHIEF MEDICAL OFFICER	50 00			X				508,626	0	110,233
CHERONA J HAJEWSKI CHIEF NURSING OFFICER	50 00			X				370,171	0	79,484
BRUCE E EPMEIER VICE PRESIDENT	50 00			X				364,107	0	64,986
LARRY F PILE HR DIRECTOR	50 00				X			239,612	0	23,026
LYNN C LINGAFELTER DIRECTOR ER/SURGICAL	50 00				X			194,863	0	23,009
RICHARD B PERRY CONTROLLER	50 00				X			190,875	0	26,825

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JOHN L ZABROWSKI CONTROLLER	50 00				X			173,187	3,200	34,756
JOYCE A THOMAS PHARMACY DIRECTOR	50 00				X			170,172	0	47,743
REBECCA L MALOTTE EXEC DIRECTOR, CNO	50 00				X			162,375	0	52,474
VENKATESH R MADADI ANESTHESIOLOGIST	50 00					X		711,894	0	23,960
NIRMAL JOSHI MD ANESTHESIOLOGIST	50 00					X		672,758	0	27,070
RAJESH J PATEL MD ANESTHESIOLOGIST	50 00					X		654,170	0	36,583
AYMAN ELFAR MD ANESTHESIOLOGIST	50 00					X		647,526	0	23,960
LAWRENCE C KILINSKI JR MD ANESTHESIOLOGIST	50 00					X		607,095	0	25,837
HARRY L SMITH JR FORMER PRESIDENT TERM JAN 2011	0 00						X	634,537	1,600	36,167
RICHARD M STIVERS FORMER SVP & CFO TERM FEB 2010	0 00						X	206,460	130,822	7,758