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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
WAUKESHA MEMORIAL HOSPITAL INC

Doing Business As

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

City or town, state or country, and ZIP + 4
WAUKESHA, WI 53188

D Employer identification number
39-0910727

E Telephone number
(262)928-4740

G Gross receipts $ 460,640,989

F Name and address of principal officer
SUSAN EDWARDS
725 AMERICAN AVENUE
WAUKESHA, WI 53188

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW PROHEALTHCARE ORG

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

L Year of formation 1956

M State of legal domicile WI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
PROVISION OF INPATIENT AND OUTPATIENT HOSPITAL SERVICES

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	15
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	2,900
6	Total number of volunteers (estimate if necessary)	**6**	430
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	8,894,582
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	297,391

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	2,467,085	4,208,350
	9 Program service revenue (Part VIII, line 2g)	447,897,566	437,502,571
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	8,449,476	13,144,261
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	5,584,836	5,532,710
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	464,398,963	460,387,892
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	35,100,002	27,193,336
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	141,727,462	135,368,239
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶629,293		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	254,046,816	259,795,822
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	430,874,280	422,357,397
	19 Revenue less expenses Subtract line 18 from line 12	33,524,683	38,030,495

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	686,540,701	750,447,287
	21 Total liabilities (Part X, line 26)	349,906,482	361,000,320
	22 Net assets or fund balances Subtract line 21 from line 20	336,634,219	389,446,967

Part II Signature Block

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

Sign Here

****** | 2013-08-07
Signature of officer | Date

DAVID EBEL CHIEF FINANCIAL OFFICER
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ SUSAN MIENCIER	Date	Check if self-employed ▶☐	Preparer's taxpayer identification number (see instructions) P00842339
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ PLANTE & MORAN PLLC PO BOX 307 SOUTHFIELD, MI 480370307			EIN ▶ 38-1357951 Phone no ▶ (248) 352-2500

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

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

CONTINUOUSLY IMPROVING THE HEALTH OF OUR COMMUNITY

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 $ 335,933,291 including grants of $ 27,193,336) (Revenue $ 431,674,314)

WAUKESHA MEMORIAL HOSPITAL FULFILLS ITS EXEMPT PURPOSE BY PROVIDING CARE AND SERVICES TO ALL PATIENTS REGARDLESS OF INSURANCE OR ABILITY TO PAY WAUKESHA MEMORIAL HOSPITAL ALSO USES ITS RESOURCES TO ADDRESS VARIOUS COMMUNITY NEEDS WAUKESHA MEMORIAL HOSPITAL PROVIDED APPROXIMATELY 61,727 DAYS OF INPATIENT CARE AND APPROXIMATELY 267,691 OUTPATIENT VISITS DURING THE FISCAL YEAR ENDED SEPTEMBER 30, 2012 SEE SCHEDULE H FOR ILLUSTRATION OF ITS PROGRAM SERVICE ACCOMPLISHMENTS

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

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

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 335,933,291

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		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**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	224		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	2,900			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	15		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9		
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		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request

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

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

DAVID EBEL
N17 W24100 RIVERWOOD DRIVE SUITE
WAUKESHA, WI 531881131
(262) 928-4740

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) BETTY ARNDT DIRECTOR	2 00	X						0	0	0
(2) DIXON BENZ DIRECTOR	2 00	X						0	0	0
(3) MARIE KINGSBURY DIRECTOR	2 00	X						0	0	0
(4) JAMES GANNON TREASURER	2 00	X		X				0	0	0
(5) E JOHN RAASCH DIRECTOR	2 00	X						0	0	0
(6) DR DOUGLAS HASTAD DIRECTOR	2 00	X						0	0	0
(7) RALPH RAMIREZ DIRECTOR	2 00	X						0	0	0
(8) KENNETH RIESCH DIRECTOR	2 00	X						0	0	0
(9) JANE NEUMANN MD DIRECTOR	2 00	X						40,000	95,100	17,630
(10) ARCHEBALD PEQUET MD SECRETARY	2 00	X		X				39,270	18,850	0
(11) DAN D'ANGELO DDS VICE CHAIRMAN	2 00	X		X				0	0	0
(12) THOMAS E DALUM CHAIRMAN	2 00	X		X				0	0	0
(13) NANINE NELSON ASSIST TREASURER/CFO OF PHC	2 00	X		X				0	494,847	344,126
(14) GARY BEYER MD DIRECTOR	2 00	X						23,250	0	0
(15) JOHN ROBERTSTAD PRESIDENT - WMH & OMH	32 00	X		X				513,919	104,836	457,965
(16) SUSAN EDWARDS PRESIDENT & CEO - PHC	2 00			X				0	1,071,851	1,043,530
(17) EDWARD OLSON CHIEF EXTERNAL AFFAIRS OFF (PART YR)	40 00				X			122,534	561,893	109,540

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) JAMES GARDNER MD VP - MEDICAL AFFAIRS	40 00				X			481,514	0	189,788
(19) CATHY RAPP RN VP - CHIEF NURSING OFFICER	40 00				X			291,978	0	85,211
(20) KENNETH PRICE VP - CHIEF OPERATING EX	40 00				X			342,853	0	142,707
(21) MARY JO O'MALLEY VP - OPERATIONS	32 00				X			214,752	43,955	105,111
(22) FREDERICK L SYRJANEN VP - CONTINUUM OF CARE	40 00					X		42,406	197,824	105,208
(23) MARY JANE REICHART EXECUTIVE DIRECTOR (PARTIAL YR)	32 00					X		151,461	20,000	6,363
(24) ERIC HENDEE CHIEF PHYSICIST	40 00					X		199,266	0	49,239
(25) MOHAMMAD KHARBAT DIRECTOR PHARMACY	32 00					X		141,966	40,358	43,988
(26) DEAN A REIN EXECUTIVE DIRECTOR - WMHF	10					X		220,452	0	62,449

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	2,825,621	2,649,514	2,762,855

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 77

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
EPIC SYSTEMS PO BOX 88314 MILWAUKEE, WI 53288	COMPUTER/MAINTENANCE	6,509,883
MEDICAL COLLEGE OF WI PO BOX 13308 MILWAUKEE, WI 53213	MEDICAL SERVICES	3,415,188
LAKE COUNTY PATHOLOGISTS SC 5449 MONCHES RD COLGATE, WI 53017	MEDICAL SERVICES	2,641,973
GE HEALTHCARE IITS USA PO GOX 277475 ATLANTA, GA 30384	MEDICAL SERVICES	2,203,967
CG SCHMIDT INC 11777 WEST LAKE PARK DRIVE MILWAUKEE, WI 53224	CONSTRUCTION SERVICES	1,975,789

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 59

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	3,060,860			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,147,490			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		4,208,350			
Program Service Revenue			Business Code				
	2a	NET PATIENT REV	622110	422,665,576	422,665,576		
	b	MEDICAL SERVICE LAB	621500	8,881,028		8,881,028	
	c	HOSPITAL JOINT VENTURE	622310	2,691,918	2,691,918		
	d	SURGERY CENTER	621400	2,059,863	2,059,863		
	e	ORTHO SURGERY CENTER	621400	1,204,186	1,204,186		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		437,502,571			
	3	Investment income (including dividends, interest and other similar amounts)		13,219,539			13,219,539
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents		7,041			
	b	Less rental expenses		844			
	c	Rental income or (loss)		6,197			
	d	Net rental income or (loss)		6,197		6,197	
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		176,975			
	b	Less cost or other basis and sales expenses		252,253			
	c	Gain or (loss)		-75,278			
	d	Net gain or (loss)		-75,278			-75,278
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	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	INSURANCE PROCEEDS	900099	1,408,640			1,408,640
	b	CAFETERIA	722210	1,022,831			1,022,831
	c	GIFT SHOP	453220	34,914			34,914
	d	All other revenue		3,060,128	3,052,771	7,357	
	e	**Total.** Add lines 11a–11d		5,526,513			
	12	**Total revenue.** See Instructions		460,387,892	431,674,314	8,894,582	15,610,646

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	27,173,336	27,173,336		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	20,000	20,000		
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	2,108,067		2,108,067	
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	104,651,954	101,731,136	2,412,316	508,502
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	5,487,224	5,258,127	202,814	26,283
9	Other employee benefits	15,527,248	14,985,610	466,733	74,905
10	Payroll taxes	7,593,746	7,410,110	150,180	33,456
11	Fees for services (non-employees)				
a	Management				
b	Legal	222,169		222,169	
c	Accounting	81,240		81,240	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	97,076,652	19,012,805	77,997,984	65,863
12	Advertising and promotion				
13	Office expenses	16,378,333	16,364,501	10,362	3,470
14	Information technology				
15	Royalties . .				
16	Occupancy	4,693,859	4,234,969	458,890	
17	Travel				
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	12,926,794	12,926,794		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	35,124,795	35,124,795		
23	Insurance				
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	36,031,060	36,030,888	151	21
b	DRUGS & PHARMACEUTICALS	20,585,190	20,585,190		
c	BAD DEBTS	18,472,067	18,472,067		
d	MEDICAID PROVIDER TAXES	14,189,794	14,189,794		
e					
f	All other expenses	4,013,869	2,413,169	1,683,907	-83,207
25	**Total functional expenses.** Add lines 1 through 24f	422,357,397	335,933,291	85,794,813	629,293
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing	655,830	1	516,365
	2	Savings and temporary cash investments	11,479,327	2	12,792,321
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	49,923,043	4	56,245,729
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use	6,712,048	8	6,289,663
	9	Prepaid expenses and deferred charges	5,297,761	9	4,938,143
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 635,420,633			
	b	Less accumulated depreciation — 10b: 377,091,594	256,003,529	10c	258,329,039
	11	Investments—publicly traded securities	226,726,098	11	273,261,901
	12	Investments—other securities See Part IV, line 11		12	8,925,389
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets See Part IV, line 11	129,743,065	15	129,148,737
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	686,540,701	16	750,447,287
Liabilities	17	Accounts payable and accrued expenses	41,825,977	17	46,265,248
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities	241,262,003	20	201,704,893
	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	34,008,321
	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	66,818,502	25	79,021,858
	26	**Total liabilities.** Add lines 17 through 25	349,906,482	26	361,000,320
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	336,270,386	27	388,628,994
	28	Temporarily restricted net assets	363,833	28	817,973
	29	Permanently restricted net assets		29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	336,634,219	33	389,446,967
	34	Total liabilities and net assets/fund balances	686,540,701	34	750,447,287

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	460,387,892
2	Total expenses (must equal Part IX, column (A), line 25)	2	422,357,397
3	Revenue less expenses Subtract line 2 from line 1	3	38,030,495
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	336,634,219
5	Other changes in net assets or fund balances (explain in Schedule O)	5	14,782,253
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	389,446,967

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		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	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
WAUKESHA MEMORIAL HOSPITAL INC

Employer identification number
39-0910727

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
WAUKESHA MEMORIAL HOSPITAL INC

Employer identification number
39-0910727

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a	Beginning of year balance	6,625,195	6,542,035	5,498,739	5,293,708	
b	Contributions	88,002	84,926	1,045,116	236,781	
c	Investment earnings or losses	-2,809	-1,766	-1,820	-31,750	
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance	6,710,388	6,625,195	6,542,035	5,498,739	

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- 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
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)	Yes	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	Yes	

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		15,613,962		15,613,962
b Buildings		283,223,465	137,223,544	145,999,921
c Leasehold improvements		2,690,728	2,418,714	272,014
d Equipment		323,614,679	237,449,336	86,165,343
e Other		10,277,799		10,277,799
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				258,329,039

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

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

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

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

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

(a) Description	(b) Book value
(1) DEFERRED FINANCING	1,332,993
(2) DEBT SERVICE RESERVE FUND	-383,777
(3) ACCRUED INTEREST RECEIVABLE	585,135
(4) DUE FROM AFFILIATES	10,598,051
(5) OTHER ASSETS	4,411,685
(6) DEPRECIATION RESERVE	111,860,629
(7) INSURANCE RECOVERY	744,021
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	129,148,737

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
ACCRUED POSTRETIREMENT MEDICAL	82,450
FAIR VALUE-INTEREST RATE SWAP	26,675,383
ASSET RETIREMENT OBLIGATION	593,333
ACCUMULATED MIN PENSION LIABILITY	50,876,671
INSURANCE LIABILITY	794,021
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	79,021,858

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	TO SUPPORT WAUKESHA MEMORIAL HOSPITAL IN ITS CHARITABLE MISSION
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	FIN48 DISCLOSURE FEDERAL INCOME TAX - PHC, WMH, OMH, NATIONAL REGENCY, AND PHHC ARE NOT-FOR-PROFIT CORPORATIONS AS DESCRIBED IN SECTION 501 (C)(3) OF THE INTERNAL REVENUE CODE (THE CODE) AND ARE EXEMPT FROM FEDERAL INCOME TAXES PURSUANT TO SECTION 501(A) OF THE CODE ALL OF THESE ENTITIES ARE, HOWEVER, SUBJECT TO FEDERAL AND STATE INCOME TAXES ON ANY UNRELATED BUSINESS INCOME UNDER THE PROVISIONS OF SECTION 511 OF THE CODE WHS IS A FOR-PROFIT STOCK CORPORATION AND IS SUBJECT TO INCOME TAXES WHS ACCOUNTS FOR INCOME TAXES UNDER THE ASSET AND LIABILITY METHOD UNDER THIS METHOD, DEFERRED TAX ASSETS AND LIABILITIES ARE RECOGNIZED RELATED TO THE FUTURE TAX CONSEQUENCES ATTRIBUTABLE TO DIFFERENCES BETWEEN THE CONSOLIDATED FINANCIAL STATEMENT CARRYING AMOUNTS OF EXISTING ASSETS AND LIABILITIES AND THEIR RESPECTIVE TAX BASES AND OPERATING LOSS AND TAX CREDIT CARRYFORWARDS DEFERRED TAX ASSETS AND LIABILITIES ARE MEASURED USING ENACTED TAX RATES EXPECTED TO APPLY TO TAXABLE INCOME IN THE YEARS IN WHICH THOSE TEMPORARY DIFFERENCES ARE EXPECTED TO BE RECOVERED OR SETTLED THE ACCOUNTING STANDARD THAT REFERS TO ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES ADDRESSES THE DETERMINATION OF HOW TAX BENEFITS CLAIMED OR EXPECTED TO BE CLAIMED ON A TAX RETURN SHOULD BE RECORDED ON THE CONSOLIDATED FINANCIAL STATEMENTS COMPANIES MUST RECOGNIZE THE TAX BENEFIT FROM AN UNCERTAIN TAX POSITION ONLY IF IT IS MORE LIKELY THAN NOT THAT THE TAX POSITION WILL BE SUSTAINED ON EXAMINATION BY THE TAXING AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION THE STANDARD ALSO PROVIDES GUIDANCE ON DERECOGNITION, CLASSIFICATION, INTEREST AND PENALTIES ON INCOME TAXES, AND ACCOUNTING IN INTERIM PERIODS, AND REQUIRES INCREASED DISCLOSURES THE CORPORATION IS SUBJECT TO EXAMINATION BY TAXING AUTHORITIES CURRENTLY THE WHS AND SUBSIDIARIES 2011 TAX RETURN IS BEING AUDITED BY THE INTERNAL REVENUE SERVICE MANAGEMENT BELIEVES THE CORPORATION IS NOT SUBJECT TO TAX EXAMINATIONS FOR YEARS PRIOR TO SEPTEMBER 30, 2009

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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
WAUKESHA MEMORIAL HOSPITAL INC

Employer identification number
39-0910727

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4		No
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		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit reportduring the tax year?	6a		No
6b	If "Yes," did the organization make it available to the public?	6b		
	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)			4,166,719		4,166,719	1 020 %
b Medicaid (from Worksheet 3, column a)			38,109,402	25,103,366	13,006,036	3 170 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			42,276,121	25,103,366	17,172,755	4 190 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	31	77,115	2,932,347	3,882	2,928,465	0 710 %
f Health professions education (from Worksheet 5)	8	2,018	5,461,452	3,591,421	1,870,031	0 460 %
g Subsidized health services (from Worksheet 6)	2		6,877,081	2,593,563	4,283,518	1 040 %
h Research (from Worksheet 7)	1		229,960		229,960	0 060 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	9	28,974	1,394,412		1,394,412	0 350 %
j **Total** Other Benefits	51	108,107	16,895,252	6,188,866	10,706,386	2 620 %
k **Total.** Add lines 7d and 7j	51	108,107	59,171,373	31,292,232	27,879,141	6 810 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing	1	200	4,750		4,750	0 %
2	Economic development	1		14,610		14,610	0 %
3	Community support	2		38,342		38,342	0 010 %
4	Environmental improvements						
5	Leadership development and training for community members	1	17	4,263		4,263	0 %
6	Coalition building	1	480	7,503		7,503	0 %
7	Community health improvement advocacy	1	71	1,073		1,073	0 %
8	Workforce development						
9	Other						
10	**Total**	7	768	70,541		70,541	0 010 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense	2	18,483,524		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	5,545,057		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	90,225,690
6	Enter Medicare allowable costs of care relating to payments on line 5	6	144,718,929
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-54,493,239
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1	1 PROHEALTH ALIGNED LLC	AMBULATORY SURGERY CENTER	51 000 %		49 000 %
2	2 THE ORTHOPEDIC SURGERY CENTER LLC	ORTHOPEDIC SURGICAL SERVICES	30 000 %		70 000 %
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	WAUKESHA MEMORIAL HOSPITAL INC 725 AMERICAN AVENUE WAUKESHA, WI 53188	X	X		X				X	
2	REHABILITATION HOSPITAL OF WISCONSIN LLC 1625 COLDWATER CREEK DRIVE WAUKESHA, WI 53188	X								INPATIENT REHABILITATION

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)

WAUKESHA MEMORIAL 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	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☐ Medical indigency			
	d ☐ Insurance status			
	e ☑ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☑ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

REHABILITATION HOSPITAL OF WISCONSIN LLC

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 350 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☑ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

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

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

	Name and address	Type of Facility (Describe)
1	REHAB HOSPITAL OF WI OUTPATIENT CLINIC 1625 COLDWATER CREEK DRIVE WAUKESHA, WI 53188	OUTPATIENT REHABILATION CLINIC
2	PROHEALTH ALIGNED LLC 1111 DELAFIELD ST SUITE 100 WAUKESHA, WI 53188	AMBULATORY SURGERY CENTER
3	THE ORTHOPEDIC SURGERY CENTER LLC W238 N 1610 BUSSE ROAD SUITE 100 WAUKESHA, WI 53188	ORTHOPEDIC SURGERY CENTER
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		PART I, LINE 3C N/A

Identifier	ReturnReference	Explanation
		PART I, LINE 6A PROHEALTH CARE, INC

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE COST-TO-CHARGE RATIO WAS USED TO CALCULATE AMOUNTS ON LINES 7A-7D THIS WAS CALCULATED BY USING WORKSHEET 2 OF THE SCHEDULE H INSTRUCTIONS THE HOSPITAL'S FINANCIAL COST REPORTING SYSTEM WAS USED TO CALCULATE THE AMOUNTS ON LINES 7E-7I

Identifier	ReturnReference	Explanation
		PART I, LINE 7G N/A

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) $18,472,067 OF BAD DEBT EXPENSES FROM WAUKESHA MEMORIAL HOSPITAL, INC WAS INCLUDED ON FORM 990, PART, IX, LINE 25 ADDITIONALLY, THERE WAS BAD DEBT EXPENSE OF $11,457 RELATED TO REHABILITATION HOSPITAL OF WISCONSIN, LLC BOTH AMOUNTS WERE SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE

Identifier	ReturnReference	Explanation
		PART II WAUKESHA MEMORIAL HOSPITAL HAS PARTNERSHIPS WITH VARIOUS ORGANIZATIONS THROUGHOUT THE COMMUNITIES WE SERVE ONE EXAMPLE IS THE PARTNERSHIPS WE HAVE WITH THE LOCAL CHAMBERS OF COMMERCE WITHIN OUR SERVICE AREA BY PROVIDING LEADERSHIP AND HEALTH RELATED OUTREACH TOWARDS STRENGTHENING COMMUNITY DEVELOPMENT WE ARE THE MAJOR SPONSOR FOR "LEADERSHIP WAUKESHA", A PROGRAM THAT FOCUSES ON THE DEVELOPMENT OF EMERGING LEADERS IN OUR COUNTY ADDITIONALLY, WE PROVIDE LAND, RESOURCES AND EXPERTISE FOR LOCAL COMMUNITY GARDENS WE PROVIDE DELIVERY OF EMERGENCY CARE IN THE COMMUNITY AND OFFER/SUPPORT NUMEROUS SERVICES AIMED AT OUR YOUTH INCLUDING SPONSORSHIP OF SAFE "AFTER PROM" ACTIVITIES WE SUPPORT AREA HOMELESS SHELTERS AND ARE ACTIVE MEMBERS OF THE HOUSING ACTION COALITION AND HISPANIC COLLABORATIVE NETWORK

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT EXPENSE FOOTNOTE FOR WAUKESHA MEMORIAL HOSPITAL, INC AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IS ESTABLISHED ON AN AGGREGATE BASIS BY USING HISTORICAL WRITE-OFF RATE FACTORS APPLIED TO UNPAID ACCOUNTS BASED ON AGING LOSS RATE FACTORS ARE BASED ON HISTORICAL LOSS EXPERIENCE AND ARE ADJUSTED FOR ECONOMIC CONDITIONS AND OTHER TRENDS AFFECTING THE HOSPITAL'S ABILITY TO COLLECT OUTSTANDING AMOUNTS UNCOLLECTIBLE AMOUNTS ARE WRITTEN OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IN THE PERIOD THEY ARE DETERMINED TO BE UNCOLLECTIBLE THE BAD DEBT COST WAS REVIEWED BY THE HOSPITAL'S REVENUE CYCLE TEAM AND THE AMOUNT OF BAD DEBT ESTIMATED TO BE ATTRIBUTABLE TO PATIENTS WHO WOULD HAVE QUALIFIED UNDER OUR FINANCIAL ASSISTANCE PROGRAM IS 30% OF TOTAL BAD DEBTS THE AMOUNT OF BAD DEBT EXPENSE REPORTED ON PART III LINE 2 IS THE BAD DEBT EXPENSE REPORTED ON FORM 990 PART IX FOR WAUKESHA MEMORIAL HOSPITAL PLUS ITS SHARE OF THE BAD DEBT EXPENSE OF REHABILITATION HOSPITAL OF WISCONSIN LLC BAD DEBT EXPENSE FOOTNOTE FOR REHABILITATION HOSPITAL OF WISCONSIN LLC ACCOUNTS RECEIVABLE PRIMARILY CONSIST OF AMOUNTS DUE FROM THIRD-PARTY PAYORS AND PATIENTS THE HOSPITAL'S ABILITY TO COLLECT OUTSTANDING RECEIVABLES IS CRITICAL TO ITS RESULTS OF OPERATIONS AND CASH FLOWS TO PROVIDE FOR ACCOUNTS RECEIVABLE THAT COULD BECOME UNCOLLECTIBLE IN THE FUTURE, THE HOSPITAL ESTABLISHES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS TO REDUCE THE CARRYING VALUE OF SUCH RECEIVABLES TO THEIR ESTIMATED NET REALIZABLE VALUE THE PRIMARY UNCERTAINTY OF SUCH ALLOWANCES LIES WITH UNINSURED PATIENT RECEIVABLES AND DEDUCTIBLES, CO-PAYMENTS OR OTHER AMOUNTS DUE FROM INDIVIDUAL PATIENTS THE HOSPITAL'S POLICY TO RECORD AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IS BASED UPON A PERCENTAGE OF NET RECEIVABLES BY AGE OF BALANCE AFTER DISCHARGE DATE THE HOSPITAL HAS AN ESTABLISHED PROCESS TO DETERMINE THE ADEQUACY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS THAT RELIES ON A NUMBER OF ANALYTICAL TOOLS AND BENCHMARKS TO ARRIVE AT A REASONABLE ALLOWANCE NO SINGLE STATISTIC OR MEASUREMENT DETERMINES THE ADEQUACY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS SOME OF THE ANALYTICAL TOOLS THAT THE HOSPITAL UTILIZES INCLUDE, BUT ARE NOT LIMITED TO, HISTORICAL CASH COLLECTION EXPERIENCE, REVENUE TRENDS BY PAYOR CLASSIFICATION AND REVENUE DAYS IN ACCOUNTS RECEIVABLE INDIVIDUAL PATIENT ACCOUNTS RECEIVABLE ARE WRITTEN OFF AFTER COLLECTION EFFORTS HAVE BEEN FOLLOWED IN ACCORDANCE WITH THE HOSPITAL'S POLICIES BAD DEBT EXPENSE IS RECORDED FOR FINANCIAL STATEMENT PURPOSES BASED ON UNCOLLECTED REVENUE, BUT THE RELATED COST COULD BE DETERMINED BY APPLYING COST TO CHARGE RATIOS FROM THE MEDICARE COST REPORT DISCOUNTS ARE RECORDED TO AN APPROPRIATE CONTRA REVENUE ACCOUNT INCLUDING CHARITY CARE WHEN APPLICABLE, PAYMENTS RECEIVED AFTER AN ACCOUNT HAS BEEN WRITTEN OFF WOULD DECREASE BAD DEBT EXPENSE MOST OF THE PATIENTS FOR WHICH BAD DEBT EXPENSE IS RECORDED WOULD PROBABLY QUALIFY FOR SOME LEVEL OF FINANCIAL ASSISTANCE ACCORDING TO HOSPITAL POLICIES, BUT MANY CHOOSE NOT TO COMPLETE THE NECESSARY FINANCIAL ASSISTANCE APPLICATION SO THAT THIS CAN BE PROPERLY DETERMINED

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE SHORTFALL ON LINE 7 SHOULD NOT BE TREATED AS COMMUNITY BENEFIT COSTING METHODOLOGY USED IS THE COST TO CHARGE RATIO AS REPORTED ON THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B PATIENTS THAT QUALIFY FOR FINANCIAL ASSISTANCE WILL HAVE A CHARITY DISCOUNT APPLIED TO THEIR BALANCES AT THE TIME OF BILLING IF THIS RESULTS IN NO BALANCE DUE FORM THE PATIENT, THEN THE PATIENT WILL NOT RECEIVE A STATEMENT IF A BALANCE REMAINS AFTER THE DISCOUNT PERCENTAGE IS APPLIED, THE PATIENT WILL RECEIVE A STATEMENT FOR THE BALANCE DUE THE STATEMENT CYCLE IS CONSISTENT FOR ALL PATIENTS

Identifier	ReturnReference	Explanation
WAUKESHA MEMORIAL HOSPITAL, INC		PART V, SECTION B, LINE 13G THE POLICY IS AVAILABLE UPON REQUEST OR ON OUR WEBSITE A PHONE NUMBER IS PROVIDED ON OUR BILLING STATEMENTS, AND IN THE EMERGENCY DEPARTMENT AND ADMITTING AREAS FOR A PATIENT TO CALL IF THEY HAVE A FINANCIAL NEED

Identifier	ReturnReference	Explanation
REHABILITATION HOSPITAL OF WISCONSIN LLC		PART V, SECTION B, LINE 19D THE HOSPITAL HAS NEVER HAD AN EMERGENCY CARE SITUATION REQUIRING THE DETERMINATION OF AN AMOUNT TO BE BILLED FOR SERVICES TO A PATIENT IN THESE CIRCUMSTANCES IF SUCH A CASE ARISES, THE HOSPITAL WILL CONSULT WITH WAUKESHA MEMORIAL HOSPITAL TO DETERMINE APPROPRIATE EMERGENCY CARE CHARGES AND THEN APPLY PROCEDURES ACCORDING TO CHARITY CARE AND PRIVATE PAY DISCOUNT POLICIES IF THE PATIENT IS ELIGIBLE

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 COMMUNITY NEEDS ARE IDENTIFIED BASED UPON A REVIEW OF STATE, COUNTY AND COMMUNITY HEALTH DATA AND ASSESSMENTS THIS INCLUDES SUCH DOCUMENTS AS THE STATE HEALTH PLAN, THE COUNTY HEALTH REPORT CARD, THE WAUKESHA COMMUNITY HEALTH SURVEY, THE HEALTHY PEOPLE 2020 PLAN AND VARIOUS OTHER NEEDS ASSESSMENTS, SUCH AS THE UNITED WAY/UNIVERSITY OF WISCONSIN SURVEY OF WAUKESHA COUNTY ADDITIONALLY, WE HAVE ACTIVELY PARTNERED WITH OUR COUNTY HEALTH DEPARTMENT IN THEIR COMMUNITY HEALTH IMPROVEMENT PLAN AND PROCESS (CHIPP) ASSESSMENT TO COMPLEMENT ALL OF THESE DATA SOURCES, WE ALSO PERIODICALLY PERFORM A SERVICE GAP ANALYSIS WITH OUR EMPLOYED COMMUNITY OUTREACH NURSES AS WELL AS LOCAL NON-PROFIT AGENCIES WITH WHICH WE PARTNER WE THEN ANALYZE THE DATA, IDENTIFY THE PRESSING NEEDS, AND PROACTIVELY PLAN AND IMPLEMENT COMMUNITY BENEFIT INITIATIVES TO ADDRESS THESE NEEDS WE ARE CURRENTLY COLLECTING AND ANALYZING PRIMARY DATA FOR OUR FORMAL CHNA AS REQUIRED BY THE AFFORDABLE CARE ACT

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 EVERY PATIENT WITH A SELF PAY BALANCE RECEIVES A STATEMENT WHICH CONVEYS THE AVAILABILITY OF COMMUNITY (CHARITY) CARE AND A CONTACT NUMBER FOR FURTHER INFORMATION PATIENTS THAT ARE UNINSURED RECEIVE AN UNINSURED DISCOUNT WHICH IS LISTED ON THE FIRST STATEMENT THAT THEY RECEIVE PATIENTS RECEIVE A TOTAL OF FOUR STATEMENTS EACH STATEMENT CONTAINS VERBIAGE REFERENCING THE HOSPITAL'S COMMUNITY CARE PROGRAM AND A CONTACT NUMBER FOR FURTHER INFORMATION IF SOMEONE HAS BEEN FOUND ELIGIBLE FOR SOME LEVEL OF CHARITY CARE, THE ELIGIBILITY PERIOD IS THREE MONTHS SO ANY SUBSEQUENT ACCOUNTS DURING THAT TIMEFRAME WOULD BE DISCOUNTED AT WHATEVER LEVEL OF CHARITY CARE THE PATIENT IS DEEMED ELIGIBLE PATIENTS MAY REAPPLY FOR COMMUNITY CARE WHEN THEIR ELIGIBILITY PERIOD HAS EXPIRED SELF PAY PATIENTS MAY ALSO BE INFORMED OF THE HOSPITAL'S COMMUNITY CARE PROGRAM WHILE THEY ARE INPATIENTS SOCIAL WORK AND/OR THE BUSINESS OFFICE MAY MAKE CONTACT WITH THESE PATIENTS DURING THEIR STAY TO INFORM THEM OF THE COMMUNITY CARE PROGRAM AND ASSIST THEM WITH COMPLETION OF THE APPLICATION INFORMATION IS AVAILABLE AT REGISTRATION AREAS RELATED TO OUR COMMUNITY CARE PROGRAM THIS INFORMATION CONTAINS CONTACT INFORMATION FOR THE HOSPITAL'S CENTRAL BUSINESS OFFICE WHERE PATIENTS CAN RECEIVE ASSISTANCE IN OBTAINING AND COMPLETING APPLICATIONS

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 PROHEALTH CARE SERVES ABOUT 285,000 PEOPLE EACH YEAR IN WAUKESHA COUNTY AND PORTIONS OF SURROUNDING COUNTIES IN EVERY FEDERAL POPULATION CENSUS, WAUKESHA COUNTY HAS RECORDED AN INCREASE IN POPULATION SINCE 1960, THE POPULATION OF THE COUNTY HAS MORE THAN DOUBLED WAUKESHA COUNTY HAS AN AGING POPULATION WITH 14 7% OVER THE AGE OF 65 AND A MEDIAN AGE OF 42 0 YEARS THE RATE OF RETIREMENT IS LIKELY TO SURPASS THE RATE OF ENTRY INTO THE WORKFORCE BETWEEN 2015 AND 2020 THE RACIAL MAKEUP OF THE WAUKESHA COUNTY COMMUNITY IS AS FOLLOWS WHITE 94 2%, HISPANIC OR LATINO 4 3%, ASIAN 2 9%, BLACK 1 4% MEDIAN HOUSEHOLD INCOME IS $75,845, WITH 4 7% OF PEOPLE LIVING BELOW THE POVERTY LEVEL UNEMPLOYMENT IN WAUKESHA COUNTY STOOD AT 5 3% ON 12/31/12 THE PRESENCE OF SOME HIGH INCOME COMMUNITIES IN WAUKESHA COUNTY OFTEN GIVES A MISTAKEN IMPRESSION OFTEN OVERLOOKED IS A GROWING POPULATION OF LOW INCOME, NON-ENGLISH SPEAKING, VULNERABLE AND MARGINALIZED CITIZENS WHO FACE ENORMOUS ODDS IN ACCESSING HEALTH CARE THE WAUKESHA COUNTY MEDICAID POPULATION HAS NEARLY TRIPLED IN 10 YEARS, FROM ABOUT 9,451 PEOPLE IN 2000 TO MORE THAN 30,000 IN 2011 THE HISPANIC POPULATION HAS SEEN A 42% INCREASE IN THE PAST 8 YEARS DOWNTOWN WAUKESHA WAS DECLARED A "MEDICALLY UNDERSERVED" AREA AND A "HEALTH-PROFESSIONAL SHORTAGE AREA" BY THE FEDERAL GOVERNMENT IN 2008 AS AN UNDERSERVED AREA, MEDICAL OPTIONS FOR INDIVIDUALS, PARTICULARLY THOSE WITHOUT HEALTH INSURANCE OR WITH PUBLIC INSURANCE, ARE SEVERELY LIMITED BECAUSE PRIVATE SERVICE PROVIDERS OFTEN REFUSE TO CARE FOR THESE INDIVIDUALS CONSEQUENTLY, PROHEALTH CARE EMBARKED ON A FUND-RAISING INITIATIVE TO SUPPORT THE FORMATION OF AN FEDERALLY QUALIFIED HEALTH CENTER (FQHC) IN DOWNTOWN WAUKESHA

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 BECAUSE OF THE MIXTURE OF BOTH URBAN AND RURAL AREAS IN OUR SERVICE AREA, OUR COMMUNITY BENEFIT PROGRAM MAKES A CONSCIOUS EFFORT TO REACH OUT AND FIND DISADVANTAGED, UNDERSERVED POPULATIONS THESE TARGET POPULATIONS INCLUDE NON- ENGLISH SPEAKING, UNINSURED OR UNDERINSURED, ISOLATED AND FRAIL ELDERLY, HOMELESS, AND MENTALLY DISABLED OUR GOVERNING AND COMMUNITY BENEFIT COMMITTEE ARE CHAIRED BY AND CONSIST PRIMARILY OF COMMUNITY MEMBERS WE ALSO MAKE EXTENSIVE USE OF INDEPENDENT COMMUNITY PARTNER AGENCIES IN PLANNING, DESIGN AND OPERATION OF COMMUNITY BENEFIT PROGRAMS

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 OUR HOSPITAL IS A MEMBER OF THE PROHEALTH CARE HEALTH SYSTEM WHICH SERVES AS OUR PARENT COMPANY WHILE COMMUNITY BENEFIT RESPONSIBILITIES RESIDE WITH OUR HOSPITAL BOARD, THE PARENT COMPANY PLAYS A KEY ROLE IN COORDINATING COMMUNITY NEEDS ASSESSMENTS, COMMUNITY BENEFIT PROGRAM PLANNING, AND EVALUATION A DESCRIPTION OF EACH AFFILIATES ROLE IN PROMOTING HEALTH WITHIN THE COMMUNITIES SERVED IS AS FOLLOWS PROHEALTH CARE, INC - HELPS TO MANAGE THE HOSPITALS TO ENSURE THEY CAN PROMOTE HEALTH AND WELLNESS WITHIN THE COMMUNITY NATIONAL REGENCY OF NEW BERLIN, INC - OWNS AND OPERATES SENIOR LIVING CENTERS AS A MEANS TO PROMOTE HEALTH WITHIN THE COMMUNITY PROHEALTH HOME CARE, INC - PROVIDES HOSPICE AND HOME HEALTH CARE SERVICES AS A MEANS TO PROMOTE HEALTH WITHIN THE COMMUNITY WAUKESHA MEMORIAL HOSPITAL FOUNDATION, INC - SUPPORTS THE CHARITABLE MISSION OF WAUKESHA MEMORIAL HOSPITAL SO THAT IT MAY PROVIDE HEALTH SERVICES WITHIN THE COMMUNITY OCONOMOWOC MEMORIAL HOSPITAL FOUNDATION, INC - SUPPORTS THE CHARITABLE MISSION OF OCONOMOWOC MEMORIAL HOSPITAL SO THAT IT MAY PROVIDE HEALTH SERVICES WITHIN THE COMMUNITY OCONOMOWOC MEMORIAL HOSPITAL, INC - PROVIDES CARE AND SERVICES TO ALL PATIENTS REGARDLESS OF INSURANCE OR ABILITY TO PAY OCONOMOWOC MEMORIAL HOSPITAL ALSO USES ITS RESOURCES TO ADDRESS VARIOUS COMMUNITY NEEDS OCONOMOWOC MEMORIAL HOSPITAL PROVIDED APPROXIMATELY 9,905 DAYS OF INPATIENT CARE AND APPROXIMATELY 69,125 OUTPATIENT VISITS DURING THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
WAUKESHA MEMORIAL HOSPITAL INC

Employer identification number
39-0910727

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) PROHEALTH CARE INC N17 W24100 RIVERWOOD DR STE 200 WAUKESHA, WI 531881131	39-1486873	501(C)(3)	27,173,336	0	N/A	N/A	TO ASSIST WAUKESHA MEMORIAL HOSPITAL IN ITS CHARITABLE MISSION

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

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

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) SCHOLARSHIP	18	20,000	0	N/A	N/A

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 SCHOLARSHIPS CHECKS ARE PAID BY SCHOLARSHIP AMERICA SCHOLARSHIP AMERICA MAKES THE CHECKS PAYABLE TO THE INSTITUTION ATTENDED BY THE STUDENT

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
WAUKESHA MEMORIAL HOSPITAL INC

Employer identification number
39-0910727

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JANE NEUMANN MD	(i)	40,000	0	0	0	0	40,000	0
	(ii)	93,909	0	1,191	7,004	10,626	112,730	0
(2) NANINE NELSON	(i)	0	0	0	0	0	0	0
	(ii)	334,971	158,924	952	314,384	29,742	838,973	0
(3) JOHN ROBERTSTAD	(i)	292,176	218,410	3,333	380,662	26,075	920,656	0
	(ii)	97,259	0	7,577	43,103	8,125	156,064	0
(4) SUSAN EDWARDS	(i)	0	0	0	0	0	0	0
	(ii)	671,679	397,496	2,676	1,025,550	17,980	2,115,381	0
(5) EDWARD OLSON	(i)	120,980	0	1,554	2,485	8,793	133,812	0
	(ii)	329,303	226,261	6,329	69,381	28,881	660,155	0
(6) JAMES GARDNER MD	(i)	327,014	136,844	17,656	158,382	31,406	671,302	0
	(ii)	0	0	0	0	0	0	0
(7) CATHY RAPP RN	(i)	199,830	82,369	9,779	82,791	2,420	377,189	0
	(ii)	0	0	0	0	0	0	0
(8) KENNETH PRICE	(i)	233,442	97,958	11,453	115,189	27,518	485,560	0
	(ii)	0	0	0	0	0	0	0
(9) MARY JO O'MALLEY	(i)	126,865	78,131	9,756	81,617	14,290	310,659	0
	(ii)	43,125	0	830	5,039	4,165	53,159	0
(10) FREDERICK L SYRJANEN	(i)	41,925	0	481	4,881	5,259	52,546	0
	(ii)	119,547	69,974	8,303	75,075	19,993	292,892	0
(11) MARY JANE REICHART	(i)	22,976	0	128,485	612	5,751	157,824	0
	(ii)	20,000	0	0	0	0	20,000	0
(12) ERIC HENDEE	(i)	193,500	5,356	410	25,360	23,879	248,505	0
	(ii)	0	0	0	0	0	0	0
(13) MOHAMMAD KHARBAT	(i)	118,363	23,480	123	23,065	14,012	179,043	0
	(ii)	40,311	0	47	1,123	5,788	47,269	0
(14) DEAN A REIN	(i)	149,980	63,188	7,284	54,714	7,735	282,901	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	COUNTRY CLUB MEMBERSHIPS EDWARD OLSON AND JOHN ROBERTSTAD - BENEFIT WAS NOT INCLUDED IN TAXABLE INCOME AS MEMBERSHIP IS FOR BUSINESS USE ONLY
	PART I, LINES 4A-B	MARY JANE REICHART RECEIVED SEVERANCE PAYMENTS IN THE AMOUNT OF $125,295 DURING FISCAL YEAR 2012 NAME MARY JANE REICHART JAMES GARDNER, MD KENNETH PRICE CATHERINE RAPP MARY JO O'MALLEY FREDERICK SYRJANEN SUSAN EDWARDS NANINE NELSON JOHN ROBERTSTAD EDWARD OLSON PROHEALTH CARE INC (PHC) MAINTAINS A SUPPLEMENTAL RETIREMENT PLAN (SERP) FOR A SELECT GROUP OF EXECUTIVES OF PHC AND ITS AFFILIATED ENTITIES THE SERP IS AN UNFUNDED, NONQUALIFIED DEFERRED COMPENSATION PLAN THAT IS INTENDED TO COMPLY WITH SECTION 457(F) OF THE INTERNAL REVENUE CODE BENEFITS UNDER THE SERP ARE TAXABLE TO THE PARTICIPATING EXECUTIVES WHEN SUCH AMOUNTS ARE VESTED
SUPPLEMENTAL INFORMATION	PART III	SCHEDULE J, PART I THIS ENTITY RELIED ON A RELATED ORGANIZATION THAT USED THE FOLLOWING METHODS TO ESTABLISH COMPENSATION FOR OFFICERS AND DIRECTORS 1 COMPENSATION COMMITTEE 2 COMPENSATION STUDY 3 APPROVAL OF THE BOARD ANNUALLY APPROVING COMPENSATION AMOUNTS 4 INDEPENDENT COMPENSATION CONSULTANT 5 WRITTEN EMPLOYEMENT CONTRACT

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
WAUKESHA MEMORIAL HOSPITAL INC

Employer identification number
39-0910727

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	WISCONSIN HEALTH & EDUCATIONAL FACILITIES	39-1337855	97710BDJ8	08-14-2008	107,960,000	CURRENT REFUND BONDS ISSUED 4/25/01 & CURRENT REFUND BONDS ISSUED 6/9/04		X		X		X
B	WISCONSIN HEALTH & EDUCATIONAL FACILITIES	39-1337855	97710BGZ9	04-30-2009	66,126,415	RENOVATION TO HOSPITAL FACILITY & CONSTRUCTION OF PARKING STRUCTURE		X		X		X
C	WISCONSIN HEALTH & EDUCATIONAL FACILITIES	39-1337855	97710BB50	02-16-2011	32,039,358	CURRENT REFUND BONDS ISSUED 11/14/95 & CURRENT REFUND BONDS ISSUED 5/13/99		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	5,190,707	5,992,655	6,315,000	
2	Amount of bonds defeased				
3	Total proceeds of issue	108,443,475	59,515,749	32,039,358	
4	Gross proceeds in reserve funds		6,029,422		
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	865,989	860,774	597,186	
8	Credit enhancement from proceeds	659,057			
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds		58,654,976		
11	Other spent proceeds	106,918,429		31,442,173	
12	Other unspent proceeds				
13	Year of substantial completion	2007	2010	2001	

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X			X	X			
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	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		
2	Are there any lease arrangements that may result in private business use of bond-financed property?		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			
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?		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 ▶	0 %		0 %		0 %			
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %		0 %			
6	Total of lines 4 and 5	0 %		0 %		0 %			
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	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		
2	Is the bond issue a variable rate issue?	X			X		X		
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		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		
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?		X		X		X		
6	Did the bond issue qualify for an exception to rebate?	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
PART I, A - COL C	CUSIP #	THE CUSIP # OF 97710BDH2 ON FORM 8038 WAS NOT THE NUMBER ON THE BOND OF THE LATEST MATURITY THE NUMBER FOR THE LATEST MATURITY IS CORRECTLY REPORTED ON SCHEDULE K
PART I, A - COL E	ISSUE PRICE	THE TOTAL ISSUE PRICE ON FORM 8038 IS $122,535,000 THE AMOUNT REPORTED ON SCHEDULE K IS ONLY THE AMOUNT OF THE ISSUE BENEFITING THE REPORTING ORGANIZATION
PART I, B - COL C	CUSIP #	THE CUSIP # OF 97710BGW6 ON FORM 8038 WAS NOT THE NUMBER ON THE BOND OF THE LATEST MATURITY THE NUMBER FOR THE LATEST MATURITY IS CORRECTLY REPORTED ON SCHEDULE K
PART I, B - COL E	ISSUE PRICE	THE TOTAL ISSUE PRICE ON FORM 8038 IS $134,951,867 50 THE AMOUNT REPORTED ON SCHEDULE K IS ONLY THE AMOUNT OF THE ISSUE BENEFITING THE REPORTING ORGANIZATION
PART I, C - COL C	CUSIP #	THE CUSIP # OF 97710BB50 ON FORM 8038 WAS NOT THE NUMBER ON THE BOND OF THE LATEST MATURITY THE NUMBER FOR THE LATEST MATURITY IS CORRECTLY REPORTED ON SCHEDULE K
PART I, C - COL E	ISSUE PRICE	THE TOTAL ISSUE PRICE ON FORM 8038 IS $35,678,572 65 THE AMOUNT REPORTED ON SCHEDULE K IS ONLY THE AMOUNT OF THE ISSUE BENEFITING THE REPORTING ORGANIZATION
PART II, A - LINE 3	TOTAL PROCEEDS OF ISSUE	SALE PROCEEDS OF ISSUE IN AMOUNT OF $108,443,475 00 ALLOCABLE TO REPORTING ORGANIZATION PLUS ZERO INVESTMENT PROCEEDS
PART II, A - LINE 6	PROCEEDS IN REFUNDING ESCROWS	PROCEEDS IN THE AMOUNT OF $106,918,428 56 ALLOCABLE TO REPORTING ORGANIZATION DEPOSITED IN REFUNDING ESCROWS ON 8/14/08, BALANCE ON 9/30/12 IS ZERO
PART II, A - LINE 7	ISSUANCE COSTS FROM PROCEEDS	$865,989 17 OF PROCEEDS ALLOCABLE TO REPORTING ORGANIZATION USED FOR ISSUANCE COSTS, $659,057 27 USED FOR CREDIT ENHANCEMENT
PART II, A - LINE 13	YEAR OF SUBSTANTIAL COMPLETION	YEAR OF SUBSTANTIAL COMPLETION OF PROJECTS FINANCED WITH REFUNDED PRIOR BONDS ISSUED 4/25/01 WAS 2003 AND YEAR OF SUBSTANTIAL COMPLETION OF PROJECTS FINANCED WITH REFUNDED PRIOR BONDS ISSUED 6/09/04 WAS 2007
PART II, B - LINE 3	TOTAL PROCEEDS OF ISSUE	SALE PROCEEDS OF ISSUE IN AMOUNT OF $66,126,415 08 ALLOCABLE TO REPORTING ORGANIZATION PLUS $1,975 67 OF INVESTMENT PROCEEDS ALLOCABLE TO REPORTING ORGANIZATION LESS SALE PROCEEDS IN THE AMOUNT OF $6,612,641 51 DEPOSITED IN REASONABLY REQUIRED RESERVE FUND ALLOCABLE TO REPORTING ORGANIZATION
PART II, C - LINE 3	TOTAL PROCEEDS OF ISSUE	SALE PROCEEDS OF ISSUE IN AMOUNT OF $32,039,358 PLUS ZERO INVESTMENT PROCEEDS
PART II, C - LINE 6	PROCEEDS IN REFUNDING ESCROWS	PROCEEDS IN THE AMOUNT OF $31,442,172 63 ALLOCABLE TO REPORTING ORGANIZATION DEPOSITED IN REFUNDING ESCROWS ON 2/16/11, BALANCE ON 9/30/12 IS ZERO
PART II, C - LINE 13	YEAR OF SUBSTANTIAL COMPLETION	YEAR OF SUBSTANTIAL COMPLETION OF PROJECTS FINANCED WITH REFUNDED PRIOR BONDS ISSUED 11/14/95 WAS 1995 AND YEAR OF SUBSTANTIAL COMPLETION OF PROJECTS FINANCED WITH REFUNDED PRIOR BONDS ISSUED 5/13/99 WAS 2001
		IN 2012, PHC REFUNDED A PORTION OF THE 2009 BOND ISSUE, THE WMH PORTION IS INCLUDED IN THE BONDS RETIRED ASSOCIATED WITH THE REFUNDING THE 2009 DEBT SERVICE RESERVE FUND WAS REDUCED BY $1,190,243 80 OF WHICH $583,219 46 IS WMH'S ALLOCATED REDUCTION

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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
WAUKESHA MEMORIAL HOSPITAL INC

Employer identification number
39-0910727

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) R R INSURANCE	KENNETH RIESCH, DIRECTOR, IS THE PRESIDENT/OWNER OF R&R INSURANCE	2,545,420	R & R INSURANCE PROVIDES INSURANCE SERVICES TO WAUKESHA MEMORIAL HOSPITAL, INC		No
(2) WAUKESHA HEALTH SYSTEM INC	BOARD MEMBER, JOHN ROBERTSTAD, IS AN OFFICER OF WAUKESHA HEALTH SYSTEM	11,725,795	WAUKESHA HEALTH SYSTEM PROVIDES RENT AND REIMBURSEMENT OF EXPENSES TO WMH		No
(3) THE ORTHOPEDIC SURGERY CENTER	BOARD MEMBER JOHN ROBERTSTAD IS AN OFFICER OF THE ORTHOPEDIC SURGERY CENTER	1,223,611	INVESTMENT DISTRIBUTIONS		No
(4) PROHEALTH ALIGNED LLC (DBA MSC)	JOHN ROBERTSTAD AND SUSAN EDWARDS ARE DIRECTORS OF PROHEALTH ALIGNED	2,104,505	INVESTMENT DISTRIBUTIONS		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
WAUKESHA MEMORIAL HOSPITAL INC

Employer identification number
39-0910727

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	PROHEALTH CARE, INC IS THE SOLE CORPORATE MEMBER
	FORM 990, PART VI, SECTION A, LINE 7B	PROHEALTH CARE, INC HOLDS CERTAIN RESERVED POWERS OVER THE (NON-STOCK) CORPORATION, INCLUDING APPROVAL OF STRATEGIC PLANNING, ANNUAL OPERATING AND CAPITAL BUDGETS, BORROWING, TRANSFER, LEASE, PLEDGE OR SALE OF ASSETS
	FORM 990, PART VI, SECTION B, LINE 11	AFTER THE FORM 990 WAS PREPARED BY THE ORGANIZATION'S TAX PREPARERS AND PRIOR TO FILING THE FORM 990, SELECT EXECUTIVE MEMBERS OF THE ORGANIZATION, AND THE AUDIT & COMPLIANCE COMMITEE PERFORMED A REVIEW, THEN THE BOARD OF DIRECTORS WAS PROVIDED A COPY OF THE RETURN, WHICH WAS SUBSEQUENTLY FILED BY THE ORGANIZATION
	FORM 990, PART VI, SECTION B, LINE 12C	ALL OFFICERS, VICE-PRESIDENTS, MANAGERS AND ABOVE, AS WELL AS BOARD MEMBERS ARE REQUIRED TO ANNUALLY COMPLETE A CONFLICT OF INTEREST FORM ALL REPORTED POTENTIAL CONFLICTS OF INTEREST ARE TRACKED IN THE CORPORATE COMPLIANCE DEPARTMENT THEY ARE REVIEWED AND ANY PERSON IDENTIFIED AS HAVING A POTENTIAL CONFLICT OF INTEREST IS GIVEN DIRECTION AS TO WHAT STEPS SHOULD BE TAKEN TO MITIGATE THE CONCERN ALL EMPLOYEES ARE EDUCATED ANNUALLY THE STEPS TAKEN WHEN A CONFLICT ARISES ARE AS FOLLOWS FOR THE BOARD OF DIRECTORS, THE RESTRICTION IS NOT BEING ALLOWED TO PARTICIPATE IN DISCUSSION OR VOTING RELATED TO ANY DECISION WHERE THE BOARD MEMBER HAS BEEN DETERMINED TO HAVE A CONFLICT OF INTEREST FOR LEADERS, RESEARCHERS, AND EMPLOYEES, RECOMMENDATIONS ARE MADE FROM COMPLIANCE MANAGER TO LEADERSHIP AND/OR HUMAN RESOURCES RESTRICTIONS CAN RANGE FROM ANY OF THE FOLLOWING, DISCLOSING POTENTIAL CONFLICTS OF INTEREST TO PATIENTS, NOT BEING ABLE TO BE INVOLVED IN DISCUSSION OR DECISION MAKING ON SPECIFIC TOPICS, AND NOT BEING ABLE TO WORK AT PROHEALTH IN THE SPECIFIC ROLE WHERE THE REPORTED CONFLICT EXISTS IF THE RECOMMENDATION IS CHALLENGED, THE MATTER GOES TO THE SENIOR EXECUTIVE TEAM FOR A DECISION
	FORM 990, PART VI, SECTION B, LINE 15	AN INDEPENDENT, EXTERNAL COMPENSATION REVIEW IS CONDUCTED FOR THE POSITIONS OF CEO/PRESIDENT, EXECUTIVE DIRECTOR, VICE-PRESIDENT, SENIOR VICE-PRESIDENT AND ABOVE. THE RESULTS OF THE COMPENSATION REVIEW ARE PRESENTED TO THE BOARD'S EXECUTIVE COMMITTEE FOR APPROVAL ANY MEMBER OF THE EXECUTIVE COMMITTEE WHOSE SALARY IS INCLUDED IN THE SALARY REVIEW IS RECUSED FROM THE APPROVAL PROCESS FOR HIS/HER SALARY APPROVAL THIS PROCESS WAS LAST DONE IN 2012
	FORM 990, PART VI, SECTION C, LINE 19	FINANCIAL STATEMENTS, GOVERNING DOCUMENTS & CONFLICT OF INTEREST POLICY ARE AVAILABLE UPON REQUEST
	FORM 990, PART VI, SECTION B, LINE 16B	THE PROCESS IS TO HAVE ALL JOINT VENTURE ARRANGEMENTS REVIEWED BY THE LEGAL DEPARTMENT TO ENSURE IT MEETS ALL LEGAL REQUIREMENTS AND TO ENSURE THAT WAUKESHA MEMORIAL HOSPITAL, INC MAY RETAIN ITS EXEMPT STATUS
		FORM 990 PART VII THE FOLLOWING OFFICERS AND DIRECTORS HAVE DEVOTED HOURS TO RELATED ORGANIZATIONS THESE INDIVIDUALS ARE AS FOLLOWS OFFICERS/DIRECTORS AVG HRS / WEEK DEVOTED TO RELATED ORGANIZATION ---------- ARCHEBALD PEQUET MD 2 00 HOURS BETTY ARNDT 2 00 HOURS CATHERINE RAPP 2 00 HOURS DAN D'ANGELO, DDS 2 00 HOURS DEAN A REIN GREATER THAN 40 00 DIXON BENZ 2 00 HOURS E JOHN RAASCH 2 00 HOURS EDWARD OLSON GREATER THAN 40 00 FREDERICK SYRJANEN GREATER THAN 40 00 JAMES GARDNER, M D 2 00 HOURS JANE NEUMANN, MD GREATER THAN 40 00 JOHN ROBERTSTAD 8 00 HOURS MARIE KINGSBURY 2 00 HOURS MARY JO O'MALLEY 8 00 HOURS MARY JANE REICHART 8 00 HOURS MOHAMMAD KHARBAT 8 00 HOURS NANINE NELSON GREATER THAN 40 00 SUSAN EDWARDS GREATER THAN 40 00 THOMAS DALUM 2 00 HOURS
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 32,296,994 CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS -2,027,056 CHANGE IN MINIMUM PENSION LIABILITY -15,487,685 TOTAL TO FORM 990, PART XI, LINE 5 14,782,253
	FORM 990, PART XII, LINE 2C	THE AUDIT PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
WAUKESHA MEMORIAL HOSPITAL INC

Employer identification number
39-0910727

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) OCONOMOWOC MEMORIAL HOSPITAL INC 791 SUMMIT AVENUE OCONOMOWOC, WI 53066 39-0794174	HOSPITAL	WI	501(C)(3)	LINE 3	PROHEALTH CARE INC	Yes	
(2) WAUKESHA MEMORIAL HOSPITAL FOUNDATION INC 725 AMERICAN AVENUE WAUKESHA, WI 53188 39-1314542	FUNDRAISING	WI	501(C)(3)	LINE 7	WAUKESHA MEMORIAL HOSPITAL INC	Yes	
(3) PROHEALTH HOME CARE INC N17 W24100 RIVERWOOD DR SUITE 200 WAUKESHA, WI 53188 20-0067392	HEALTHCARE	WI	501(C)(3)	LINE 3	PROHEALTH CARE INC	Yes	
(4) NATIONAL REGENCY OF NEW BERLIN INC N17 W24100 RIVERWOOD DR SUITE 200 WAUKESHA, WI 53188 39-1077992	HEALTHCARE	WI	501(C)(3)	LINE 9	PROHEALTH CARE INC	Yes	
(5) PROHEALTH CARE INC N17 W24100 RIVERWOOD DR SUITE 200 WAUKESHA, WI 53188 39-1786873	MANAGEMENT	WI	501(C)(3)	LINE 11C, III-FI	N/A		No
(6) OCONOMOWOC MEMORIAL HOSPITAL FOUNDATION INC 791 SUMMIT AVENUE OCONOMOWOC, WI 53066 39-1271647	FUNDRAISING	WI	501(C)(3)	LINE 7	OCONOMOWOC MEMORIAL HOSPITAL INC	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) PROHEALTH ALIGNED LLC (DBA MSC) 1111 DELAFIELD STREET STE 100 WAUKESHA, WI 53188 26-3324572	SURGERY CENTER	WI	WAUKESHA MEMORIAL HOSPITAL INC	RELATED	1,848,059	4,776,721		No		Yes		51 000 %
(2) REHABILITATION HOSPITAL OF WISCONSIN LLC 1625 COLDWATER CREEK DRIVE WAUKESHA, WI 53188 26-2332250	INPATIENT REHABILITATION	WI	WAUKESHA MEMORIAL HOSPITAL INC	RELATED				No		Yes		49 000 %
(3) THE ORTHOPEDIC SURGERY CENTER LLC W238 N1610 BUSSE ROAD WAUKESHA, WI 53188 20-8356016	ORTHOPEDIC SURGICAL SERVICES	WI	WAUKESHA MEMORIAL HOSPITAL INC	RELATED	1,406,903	2,183,700		No		Yes		30 000 %
(4) PROHEALTH SOLUTIONS LLC 2000 PEWAUKEE RD SUITE C WAUKESHA, WI 53188 27-3863494	ACCOUNTABLE CARE ORGANIZATION	WI	N/A									
(5) LAKE COUNTRY ENDOSCOPY CENTER 1185 CORPORATE CENTER DR OCONOMOWOC, WI 53066 26-1572986	ENDOSCOPY SERVICES	WI	N/A									

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) WAUKESHA HEALTH SYSTEM INC N17 W24100 RIVERWOOD DRIVE SUITE 20 WAUKESHA, WI 53188 39-1507910	HEALTHCARE	WI	N/A	C			
(2) EMPATHIA PACIFIC INC 31416 AGOURA RD STE 180 WESTLAKE VILLAGE, CA 91361 95-3070501	HEALTHCARE	CA	N/A	C			
(3) PROHEALTH CARE MEDICAL ASSOCIATES INC N17 W24100 RIVERWOOD DRIVE SUITE 20 WAUKESHA, WI 53188 39-1083015	HEALTHCARE	WI	N/A	C			
(4) NATIONAL AVENUE DEVELOPMENT CORPORATION N17 W24100 RIVERWOOD DRIVE SUITE 20 WAUKESHA, WI 53188 39-1417226	HEALTHCARE	WI	N/A	C			
(5) EMPATHIA INC N17 W24100 RIVERWOOD DRIVE SUITE 20 WAUKESHA, WI 53188 39-1567366	HEALTHCARE	WI	N/A	C			

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

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

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

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

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

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

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

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 39-0910727
Name: WAUKESHA MEMORIAL HOSPITAL INC

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
OCONOMOWOC MEMORIAL HOSPITAL INC 791 SUMMIT AVENUE OCONOMOWOC, WI 53066 39-0794174	HOSPITAL	WI	501(C)(3)	LINE 3	PROHEALTH CARE INC	Yes	
WAUKESHA MEMORIAL HOSPITAL FOUNDATION INC 725 AMERICAN AVENUE WAUKESHA, WI 53188 39-1314542	FUNDRAISING	WI	501(C)(3)	LINE 7	WAUKESHA MEMORIAL HOSPITAL INC	Yes	
PROHEALTH HOME CARE INC N17 W24100 RIVERWOOD DR SUITE 200 WAUKESHA, WI 53188 20-0067392	HEALTHCARE	WI	501(C)(3)	LINE 3	PROHEALTH CARE INC	Yes	
NATIONAL REGENCY OF NEW BERLIN INC N17 W24100 RIVERWOOD DR SUITE 200 WAUKESHA, WI 53188 39-1077992	HEALTHCARE	WI	501(C)(3)	LINE 9	PROHEALTH CARE INC	Yes	
PROHEALTH CARE INC N17 W24100 RIVERWOOD DR SUITE 200 WAUKESHA, WI 53188 39-1786873	MANAGEMENT	WI	501(C)(3)	LINE 11C, III-FI	N/A		No
OCONOMOWOC MEMORIAL HOSPITAL FOUNDATION INC 791 SUMMIT AVENUE OCONOMOWOC, WI 53066 39-1271647	FUNDRAISING	WI	501(C)(3)	LINE 7	OCONOMOWOC MEMORIAL HOSPITAL INC	Yes	

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	WAUKESHA MEMORIAL HOSPITAL FOUNDATION INC	C	3,060,860	ACTUAL AMOUNT RECEIVED
(2)	WAUKESHA HEALTH SYSTEM INC	A	27,712	ACTUAL AMOUNT RECEIVED
(3)	PROHEALTH CARE MEDICAL ASSOCIATES INC	A	941,061	ACTUAL AMOUNT RECEIVED
(4)	REHABILITATION HOSPITAL OF WISCONSIN	A	1,155,838	ACTUAL AMOUNT RECEIVED
(5)	PROHEALTH HOME CARE INC	D	500,000	ACTUAL COSTS INCURRED
(6)	WAUKESHA HEALTH SYSTEM INC	J	84,000	ACTUAL COSTS INCURRED
(7)	PROHEALTH CARE MEDICAL ASSOCIATES INC	J	452,516	ACTUAL COSTS INCURRED
(8)	NATIONAL REGENCY OF NEW BERLIN INC	J	644,394	ACTUAL COSTS INCURRED
(9)	PROHEALTH CARE INC	L	66,638,117	ACTUAL COSTS INCURRED
(10)	PROHEALTH SOLUTIONS	L	455,000	ACTUAL COSTS INCURRED
(11)	OCONOMOWOC MEMORIAL HOSPITAL INC	O	236,312	ACTUAL COSTS INCURRED
(12)	PROHEALTH CARE MEDICAL ASSOCIATES INC	O	4,165,390	ACTUAL COSTS INCURRED
(13)	OCONOMOWOC MEMORIAL HOSPITAL INC	P	18,656,865	ACTUAL AMOUNT RECEIVED
(14)	PROHEALTH CARE INC	P	601,201	ACTUAL AMOUNT RECEIVED
(15)	WAUKESHA HEALTH SYSTEM INC	P	6,858,736	ACTUAL AMOUNT RECEIVED
(16)	PROHEALTH CARE MEDICAL ASSOCIATES INC	P	18,681,540	ACTUAL AMOUNT RECEIVED
(17)	PROHEALTH HOME CARE INC	P	1,211,711	ACTUAL AMOUNT RECEIVED
(18)	EMPATHIA PACIFIC INC	P	1,871,324	ACTUAL AMOUNT RECEIVED
(19)	NATIONAL REGENCY OF NEW BERLIN INC	P	332,378	ACTUAL AMOUNT RECEIVED
(20)	PROHEALTH CARE INC	B	27,173,336	ACTUAL COSTS INCURRED

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(21)	REHABILITATION HOSPITAL OF WISCONSIN	K	142,503	ACTUAL AMOUNT RECEIVED
(22)	PROHEALTH ALIGNED LLC	R	2,101,200	ACTUAL AMOUNT RECEIVED
(23)	ORTHOPEDIC SURGERY CENTER	R	1,223,469	ACTUAL AMOUNT RECEIVED
(24)	REHABILITATION HOSPITAL OF WISCONSIN	R	961,989	ACTUAL AMOUNT RECEIVED

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Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2011

Attachment Sequence No **179**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**
WAUKESHA MEMORIAL HOSPITAL INC	HOME INFUSION	39-0910727

Part I **Election To Expense Certain Property Under Section 179**

Note: *If you have any listed property, complete Part V before you complete Part I.*

1 Maximum amount (see instructions)	**1**	500,000
2 Total cost of section 179 property placed in service (see instructions)	**2**	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	**3**	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	**4**	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	**5**	

6	**(a)** Description of property	**(b)** Cost (business use only)	**(c)** Elected cost

7 Listed property Enter the amount from line 29	**7**		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	**8**		
9 Tentative deduction Enter the **smaller** of line 5 or line 8	**9**		
10 Carryover of disallowed deduction from line 13 of your 2010 Form 4562	**10**		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	**11**		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	**12**		
13 Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12 ▶	**13**		

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property **)** (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	**14**	
15 Property subject to section 168(f)(1) election	**15**	
16 Other depreciation (including ACRS)	**16**	844

Part III **MACRS Depreciation (Do not** include listed property.**)** (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2011	**17**	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

	(a) Classification of property	**(b)** Month and year placed in service	**(c)** Basis for depreciation (business/investment use only—see instructions)	**(d)** Recovery period	**(e)** Convention	**(f)** Method	**(g)** Depreciation deduction
19a	3-year property						
b	5-year property						
c	7-year property						
d	10-year property						
e	15-year property						
f	20-year property						
g	25-year property			25 yrs		S/L	
h	Residential rental property			27 5 yrs	MM	S/L	
				27 5 yrs	MM	S/L	
i	Nonresidential real property			39 yrs	MM	S/L	
					MM	S/L	

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs		S/L	
c	40-year		40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	**21**	
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	**22**	844
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	**23**	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete* ***only*** *24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? ☐ **Yes** ☐ **No** | **24b** If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						**25**		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						**28**		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1						**29**		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions)					
43 Amortization of costs that began before your 2011 tax year				**43**	
44 Total. Add amounts in column (f) See the instructions for where to report				**44**	

ProHealth Care, Inc. and Affiliates

Consolidated Financial Statements
with Consolidating Information
September 30, 2012

ProHealth Care, Inc. and Affiliates

Contents

plante moran

Plante & Moran, PLLC
Suite 400
634 Front Avenue N W
Grand Rapids, MI 49504
Tel 616 774 8221
Fax 616 774 0702
plantemoran.com

Independent Auditor's Report

To the Board of Directors
ProHealth Care, Inc. and Affiliates

We have audited the accompanying consolidated balance sheet of ProHealth Care, Inc. and Affiliates (the "Corporation") as of September 30, 2012 and 2011 and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation'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 ProHealth Care, Inc. and Affiliates at September 30, 2012 and 2011 and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

December 14, 2012

ProHealth Care, Inc. and Affiliates

Consolidated Balance Sheet
(In thousands)

	September 30, 2012	September 30, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 46,608	$ 37,986
Patient accounts receivable - Net (Note 2)	78,824	71,820
Other receivables	8,248	5,330
Assets whose use is limited or restricted (Note 4)	7,311	7,196
Prepaid expenses and other	8,901	8,974
Inventory of supplies	9,757	10,232
Total current assets	159,649	141,538
Noncurrent Assets Whose Use is Limited or Restricted (Note 4)	446,564	387,865
Investments (Note 4)	19,785	17,555
Property and Equipment - Net (Note 5)	474,042	482,890
Interest in Net Assets of Charitable Foundation (Note 6)	7,330	6,357
Goodwill and Other Intangible Assets (Note 1)	5,311	5,408
Other Assets (Note 7)	41,775	42,629
Total assets	**$ 1,154,456**	**$ 1,084,242**

ProHealth Care, Inc. and Affiliates

Consolidated Balance Sheet (Continued)
(In thousands)

	September 30, 2012	September 30, 2011
Liabilities and Net Assets		
Current Liabilities		
Revolving line of credit agreement (Note 9)	$ -	$ 6,500
Current portion of long-term debt (Note 9)	9,581	8,958
Accounts payable	27,963	20,858
Deferred revenue (Note 16)	903	960
Accrued liabilities and other (Note 8)	43,435	47,542
Total current liabilities	81,882	84,818
Long-term Debt - Net of current portion (Note 9)	400,359	408,330
Fair Value of Interest Rate Swap Agreement (Note 9)	35,054	32,483
Other Liabilities		
Postretirement liability (Note 11)	132	462
Deferred revenue (Note 16)	5,482	5,955
Pension liability (Note 11)	101,121	84,390
Other long-term liabilities	22,948	17,903
Total liabilities	646,978	634,341
Net Assets		
Unrestricted	480,127	421,670
Temporarily restricted (Note 13)	17,338	17,542
Permanently restricted (Note 13)	7,045	6,912
Noncontrolling interest in consolidated subsidiaries (Note 1)	2,968	3,777
Total net assets	507,478	449,901
Total liabilities and net assets	**$ 1,154,456**	**$ 1,084,242**

ProHealth Care, Inc. and Affiliates

Consolidated Statement of Operations and Changes in Net Assets
(In thousands)

	Year Ended	
	September 30, 2012	September 30, 2011
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue	$ 641,790	$ 664,649
Other operating revenue	51,217	50,254
Total unrestricted revenue, gains, and other support	693,007	714,903
Expenses		
Salaries and wages	264,219	266,062
Employee benefits and payroll taxes	69,989	67,567
Operating supplies and expenses	103,559	108,741
Depreciation and amortization	53,460	57,721
Provision for bad debts	23,596	24,773
Interest	22,848	25,124
Contracted services and other	122,093	119,486
Total expenses (Note 14)	659,764	669,474
Operating Income	33,243	45,429
Nonoperating Gain (Loss)		
Investment income	16,645	11,381
Impairment on property and other (Note 7)	(76)	(8,577)
Loss on defeasance (Note 9)	(2,811)	(786)
Unrealized investment gain (loss)	37,890	(15,213)
Change in interest rate swap value (Note 9)	(2,729)	(4,227)
Other	1,402	(42)
Total nonoperating gain (loss)	50,321	(17,464)
Excess of Revenue Over Expenses	**$ 83,564**	**$ 27,965**

ProHealth Care, Inc. and Affiliates

Consolidated Statement of Operations and Changes in Net Assets (Continued)

(In thousands)

	Year Ended	
	September 30 2012	September 30 2011
Unrestricted Net Assets		
Excess of revenue over expenses	$ 83,564	$ 27,965
Amortization of transition deferral on interest rate swap	157	157
Pension-related changes other than net periodic benefit cost	(27,470)	(22,368)
Net assets released from restriction for plant and equipment additions	289	240
Other	1,108	(2,262)
Increase in unrestricted net assets	57,648	3,732
Temporarily Restricted Net Assets		
Restricted contributions	3,147	2,986
Restricted investment income	969	386
Unrealized gain (loss) on investments	1,974	(1,065)
Change in interest of net assets of charitable foundation	973	(24)
Net assets released from restriction	(4,103)	(1,288)
Other	(3,164)	(1,681)
Decrease in temporarily restricted net assets	(204)	(686)
Permanently Restricted Contributions	133	49
Increase in Net Assets	57,577	3,095
Net Assets - Beginning of year	449,901	446,806
Net Assets - End of year	**$ 507,478**	**$ 449,901**

ProHealth Care, Inc. and Affiliates

Consolidated Statement of Cash Flows
(In thousands)

	Year Ended September 30, 2012	Year Ended September 30, 2011
Cash Flows from Operating Activities		
Increase in net assets	$ 57,577	$ 3,095
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	53,460	57,721
Unrealized investment (gains) losses	(39,864)	16,278
Realized investment gains	(13,238)	(7,718)
Change in interest in net assets of charitable foundation	(973)	24
Restricted contribution revenue and investment income	(3,280)	(3,035)
Pension-related change other than net periodic benefit costs	27,470	22,368
Change in fair value of interest rate swaps	2,571	4,070
(Loss) gain on sale of fixed assets and impairment	(124)	8,103
Provision for bad debts	23,596	24,773
Loss on defeasance	2,811	-
Changes in assets and liabilities which (used) provided cash		
Patient accounts receivable	(30,600)	(18,967)
Inventory	475	1,502
Prepaid expenses and other current assets	(2,845)	1,092
Deferred revenue	(530)	(554)
Other assets	(1,606)	1,990
Accounts payable	7,105	(3,104)
Accrued liabilities and other current liabilities	(4,107)	(4,506)
Other liabilities	(6,024)	5,037
Net cash provided by operating activities	71,874	108,169
Cash Flows from Investing Activities		
Purchase of property and equipment	(46,110)	(96,194)
Proceeds from sale of property and equipment and assets held for sale	4,069	392
Purchase of investments and assets whose use is limited	(319,019)	(583,024)
Proceeds from sale of investments and assets whose use is limited	311,077	562,016
Net cash used in investing activities	(49,983)	(116,810)
Cash Flows from Financing Activities		
Payments on long-term debt and capital lease obligations	(56,758)	(52,821)
Proceeds from issuance of long-term debt	47,007	66,460
Incurrence of bond financing costs	(298)	(286)
Net change in notes payable to bank	(6,500)	-
Restricted contribution revenue and investment income	3,280	3,035
Net cash (used in) provided by financing activities	(13,269)	16,388
Net Increase in Cash and Cash Equivalents	8,622	7,747
Cash and Cash Equivalents - Beginning of year	37,986	30,239
Cash and Cash Equivalents - End of year	**$ 46,608**	**$ 37,986**
Supplemental Cash Flow Information		
Cash paid for interest	$ 22,939	$ 26,053
Cash payment for income taxes	52	11
Disposition of capital leases related to put option transaction (Note 7)	-	(23,701)

Note 1 - Nature of Business and Significant Accounting Policies

ProHealth Care, Inc. (PHC) is a Wisconsin, nonstock not-for-profit corporation organized to provide and deliver a variety of high quality healthcare services in Waukesha County, Wisconsin and surrounding areas. The accompanying consolidated financial statements include the accounts of PHC and its affiliates (collectively referred to as the "Corporation"):

Waukesha Memorial Hospital, Inc. (WMH) - A nonstock, not-for-profit acute-care hospital whose sole corporate member is PHC. WMH has 295 beds available and serves Waukesha, Wisconsin and surrounding communities. WMH also owns 51 percent of ProHealth Aligned, LLC, which owns and operates an ambulatory surgery center. The operating results of the ambulatory surgery center are consolidated with WMH.

Oconomowoc Memorial Hospital, Inc. (OMH) - A nonstock, not-for-profit acute-care hospital whose sole corporate member is PHC. OMH has 76 available beds and provides general acute care and support activities in Oconomowoc, Wisconsin and surrounding communities.

WMH and OMH are collectively referred to as the "Hospitals."

Waukesha Health System, Inc. (WHS) - A for-profit Wisconsin corporation whose sole stockholder is PHC. WHS and its subsidiaries provide selected health services to the community, including physician clinics, employee assistance services, a counseling center that provides outpatient counseling and psychiatric services, and a health and fitness center. WHS also provides a variety of support services to healthcare providers.

National Regency of New Berlin, Inc. (National Regency) - A nonstock, not-for-profit corporation whose sole corporate member is PHC. National Regency owns and operates assisted and independent living facilities in Waukesha County, Wisconsin and a medical office building located adjacent to WMH.

ProHealth Home Care, Inc. (PHHC) - A nonstock, not-for-profit home health nursing and hospice agency which provides skilled nursing, therapy, and hospice services in patients' homes. PHHC also operates an inpatient and residential hospice facility, AngelsGrace Hospice.

The significant accounting policies of PHC and its affiliates are as follows:

Basis of Consolidation - All significant intercompany transactions and balances have been eliminated in consolidation.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Use of Estimates - The preparation of 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include cash and investments in highly liquid investments purchased with an original maturity of three months or less. Cash balances held in bank accounts exceed the federal depository insurance limit. The Corporation's cash is only insured up to the federal depository insurance limit.

Accounts Receivable - Accounts receivable from patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and are adjusted for economic conditions and other trends affecting the Corporation's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. Net accounts receivable is based on expected payment rates from payors based on current reimbursement methodologies.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the consolidated balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in nonoperating income. Unrealized gains or losses on investments are excluded from income from operations and are included in nonoperating income (loss) on the consolidated statement of operations and changes in net assets.

The Corporation has designated all investments as trading securities.

The Corporation's investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated balance sheet and the statement of operations and changes in net assets.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Assets Whose Use is Limited - Assets whose use is limited include assets designated by the board of directors for future capital improvement over which the board retains control and may, at its discretion, subsequently use for other purposes. Assets whose use is limited also includes assets held by the Waukesha Memorial Hospital Foundation, Inc. (the WMH Foundation) and assets held by a trustee under bond indenture agreements. Amounts required to meet current liabilities of the Corporation have been classified as current assets in the consolidated balance sheet. Assets whose use is limited also include assets temporarily restricted or permanently restricted by donor.

Inventories - Inventories, which consist of medical and office supplies and pharmaceutical products, are stated at cost, determined on a first-in, first-out basis, or market.

Property and Equipment - Property and equipment amounts are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statement of operations and changes in net assets. Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs of maintenance and repairs are charged to expense as incurred.

Gifts of long-lived assets such as land, buildings, or equipment are reported in the total nonoperating gain (loss) within excess of revenue over expenses. Gifts including an explicit donor stipulation as to use are excluded from the excess of revenue over expenses.

Goodwill and Other Intangible Assets - The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Annually, the Corporation assesses goodwill for impairment. It is reasonably possible that management's estimates of the carrying amount of goodwill will change in the near term.

Investments in Affiliated Organizations - Investments in affiliated organizations in which less than a majority interest is held are accounted for using the equity method.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Derivative Instruments - The Corporation has entered into derivative instruments to manage its investments and capitalization, including risks associated with changes in interest rates. The Corporation records its interest rate swaps as either assets or liabilities on the accompanying consolidated balance sheet at fair value. None of the Corporation's current swaps are designated as hedges. Accordingly, both the unrealized and realized gains or losses related to the interest rate swaps are included in nonoperating gain (loss) on the consolidated statement of operations and changes in net assets.

Fair Value of Financial Instruments - The carrying values of financial instruments, including cash, accounts receivable, accounts payable, and debt, approximate fair value. Investments are recorded at fair value under generally accepted accounting principles. The carrying value of debt approximates fair value because of the variable rate nature of the instrument. The interest rate swaps are recorded at fair value on the Corporation's consolidated balance sheet.

Classification of Net Assets - Net assets of the Corporation are classified as permanently restricted, temporarily restricted, noncontrolling interest in consolidated subsidiaries, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Corporation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

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

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Charity Care - The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care is determined based on established policies, using patient income and assets to determine payment ability. The amount reflects the cost of free or discounted health services, net of contributions and other revenues received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on a calculation which applies a ratio of cost 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 Corporation's total expenses (less bad debt expense) divided by gross patient service revenue. The Corporation estimates that it provided $5,123,000 and $5,440,000 of services to indigent patients during 2012 and 2011, respectively.

Contributions - The Corporation reports gifts of cash and other assets as 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 to unrestricted net assets and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions.

The Corporation reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports the expiration of donor restrictions when the assets are placed in service.

Federal Income Tax - PHC, WMH, OMH, National Regency, and PHHC are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes pursuant to Section 501(a) of the Code. All of these entities are, however, subject to federal and state income taxes on any unrelated business income under the provisions of Section 511 of the Code.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

WHS is a for-profit stock corporation and is subject to income taxes. WHS accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized related to the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The accounting standard that refers to *Accounting for Uncertainty in Income Taxes* addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded on the consolidated financial statements. Companies must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The standard also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures.

The Corporation is subject to examination by taxing authorities. Currently the WHS and Subsidiaries 2011 tax return is being audited by the Internal Revenue Service. Management believes the Corporation is not subject to tax examinations for years prior to September 30, 2009.

Excess of Revenue Over Expenses - The consolidated statement of operations and changes in net assets includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses consistent with industry practice, include unrealized losses on interest rate swaps, recognition of accumulated derivative loss for extinguished interest rate swaps, pension-related changes other than net periodic benefit cost, distributions to members, and net assets released from restrictions for plant and equipment additions.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including December 14, 2012, which is the date the consolidated financial statements were available to be issued.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Electronic Health Records Incentive Payments - The American Recovery and Reinvestment Act of 2009 (ARRA) established funding in order to provide incentive payments to hospitals and physicians that implement the use of electronic health record (EHR) technology by 2014. The Corporation may receive an incentive payment for up to four years for the hospitals and up to six years for physicians, provided the Corporation demonstrates meaningful use of certified EHR technology for the EHR reporting period. The revenue from the incentive payments is recognized ratably over the EHR reporting period when there is reasonable assurance that the Corporation will comply with eligibility requirements during the EHR reporting period and an incentive payment will be received. The amounts are recorded within other operating revenue as the incentive payments are related to the Corporation's ongoing and central activities yet not critical to the delivery of patient service.

New Accounting Pronouncements - During 2011, the Financial Accounting Standards Board (FASB) adopted Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, establishing accounting and disclosures for healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered even though the entities do not assess a patient's ability to pay. The amendments in the ASU change the presentation of the consolidated statement of operations and add new disclosures that are not required under current GAAP for entities within the scope of this update. The provision for bad debts associated with patient service revenue for certain entities is required to be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the consolidated statement of operations. The ASU is effective for the Corporation for the year ending September 30, 2013.

Note 2 - Patient Accounts Receivable - Net

The details of patient accounts receivable are set forth below (in thousands):

	2012	2011
Patient accounts receivable	$ 93,027	$ 81,961
Less allowance for uncollectible accounts	(14,203)	(10,141)
Patient accounts receivable - Net	$ 78,824	$ 71,820

Note 2 - Patient Accounts Receivable - Net (Continued)

The Corporation grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	2012	2011
Medicare	31 %	32 %
Medicaid	6	6
Commercial	43	47
Self-pay	20	15
Total	100 %	100 %

Note 3 - Net Patient Service Revenue and Cost Report Settlements

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. A significant portion of the Corporation's net patient service revenue is received from the Medicare and Medicaid programs.

- **Medicare** - Inpatient acute and most outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Certain inpatient nonacute and outpatient services and medical education costs related to Medicare beneficiaries are paid based upon cost reimbursement methodologies.
- **Medicaid** - Inpatient and outpatient acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates.
- **Managed Care** - The Corporation has entered into reimbursement agreements with health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and established fee schedules.

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. The Corporation is unable to determine the extent of liability for overpayments, if any. The potential exists for significant overpayment of claims liability for the Corporation at a future date.

Note 4 - Assets Whose Use is Limited or Restricted and Investments

The composition of assets whose use is limited or restricted and investments at September 30, 2012 and 2011 is set forth in the following tables (in thousands). Investments are stated at fair value.

	2012	2011
Limited by the board:		
For plant replacement and expansion	$ 420,741	$ 362,269
Designated for WMH Foundation	8,340	5,557
Reserved for unemployment compensation and other	105	103
Limited by trustee under bond indenture	12,327	13,880
Restricted by donors	12,362	13,252
General investments	19,785	17,555
Total assets whose use is limited or restricted and investments	$ 473,660	$ 412,616

	2012	2011
Cash, money market funds, certificates of deposit, plus accrued interest	$ 43,823	$ 73,701
Private equities and hedge funds	38,658	40,521
Corporate bonds	88,055	18,595
Common stocks and equity securities	273,014	198,467
Commercial paper	-	14,778
Mortgage backed securities	773	832
U.S. Treasury obligations	28,197	63,943
Pledges receivable - Net	1,140	1,779
Total	$ 473,660	$ 412,616

The Corporation has made commitments to fund several alternative investments. The remaining commitment at September 30, 2012 is approximately $4,182,000.

The composition of investment returns on the Corporation's assets whose use is limited or restricted and investments for the years ended September 30, 2012 and 2011 is as follows (in thousands):

	2012	2011
Investment income	$ 5,399	$ 4,622
Unrealized gains (losses) on investments	39,864	(16,278)
Net realized gains	11,686	6,952
Total	$ 56,949	$ (4,704)

Note 4 - Assets Whose Use is Limited or Restricted and Investments (Continued)

Investment returns included in the accompanying consolidated statement of operations and changes in net assets for the years ended September 30, 2012 and 2011 are as follows (in thousands):

	2012	2011
Consolidated statement of operations and changes in net assets -		
Nonoperating gains (losses) - Net - Unrestricted net assets	$ 54,006	$ (4,025)
Restricted investment income	969	386
Unrealized gains (losses) on investments	1,974	(1,065)
Total investment return - Restricted net assets	2,943	(679)
Total investment return	$ 56,949	$ (4,704)

Note 5 - Property and Equipment

Cost of property and equipment and depreciable lives are summarized as follows (in thousands):

	2012	2011	Depreciable Life - Years
Land	$ 33,060	$ 33,087	-
Land improvements	11,938	11,973	5-20
Buildings	488,674	480,738	20-40
Building improvements	6,877	8,255	10-40
Equipment	408,573	423,365	3-10
Capital leased equipment and buildings	45,536	45,536	15
Construction in progress	13,088	29,593	-
Total cost	1,007,746	1,032,547	
Accumulated depreciation and amortization	(533,704)	(549,657)	
Net property and equipment	$ 474,042	$ 482,890	

Note 5 - Property and Equipment (Continued)

Depreciation and amortization expense on property and equipment totaled $53,460,000 and $57,721,000 in 2012 and 2011, respectively. Accumulated amortization on leased buildings and equipment under capital leases was $12,353,000 and $9,265,000 in 2012 and 2011, respectively.

Construction in progress at September 30, 2012 consists principally of costs associated with the construction, renovation, and remodeling of existing facilities. Contractual commitments related to construction in progress total approximately $6,725,000 at September 30, 2012.

During 2012 and 2011, the Corporation capitalized interest expense of $0 and $803,700, respectively.

During 2011, the Corporation recorded a reduction in the carrying amount of certain buildings to the estimated fair market value, as the Corporation is pursuing sale of these properties. The estimated fair value of these properties are classified as assets held for sale in the amount of approximately $9,391,000 and $11,713,000 at September 30, 2012 and 2011, respectively. These assets held for sale are included in other assets on the consolidated balance sheet. The Corporation is not recognizing any depreciation expense on these buildings.

Note 6 - Interest in Hospital Foundations

The net assets of the Corporation include the accounts of the Waukesha Memorial Hospital Foundation, Inc. (WMH Foundation), a related organization. The WMH Foundation was organized to raise funds to support WMH. All funds raised by the WMH Foundation, with the exception of approximately $3,249,000 and $3,012,000 at September 30, 2012 and 2011, respectively, restricted for PHHC, are distributed to or held for the benefit of WMH.

The Oconomowoc Memorial Hospital Foundation, Inc. (the "OMH Foundation") is a separate nonstock, not-for-profit corporation organized to operate for the maintenance and benefit of OMH and its programs and activities. The Corporation's interest in the net assets of the OMH Foundation totaled approximately $7,330,000 and $6,357,000 as of September 30, 2012 and 2011, respectively.

Subsequent to September 30, 2012, the boards of the foundations and the Corporation's board ratified a restructuring of the foundations, which led to the merger of the WMH Foundation and the OMH Foundation under the new name of ProHealth Care Foundation, Inc.

Note 7 - Other Assets

The detail of other assets is given below (in thousands):

	2012	2011
Investments in joint ventures	$ 5,303	$ 5,873
Deferred compensation (Note 12)	20,634	16,369
Assets held for sale	9,391	11,713
Other	6,447	8,674
Total other assets	$ 41,775	$ 42,629

In 2008, the Corporation entered into a real estate put agreement with Investors Associated, LLP. The put agreement required the Corporation to purchase the properties or find a third-party buyer upon receipt of notification from Investors Associated, LLP.

During 2011, Investors Associated, LLP informed the Corporation that it was exercising the put agreement on the five facilities. In accordance with the put agreement, a purchase price of the buildings was determined to be $46.4 million. The Corporation financed a portion of the acquisition costs with a note payable (Note 9). Three of the five facilities were previously recorded as capital leases. The capital lease liability was removed upon the completion of the transaction.

The Corporation evaluated the ongoing need for the facilities and determined that four of the facilities would be immediately put up for sale. One facility was sold during 2012, and the Corporation is pursuing sales of the remaining three properties. The appraised values were significantly lower than the recorded book value of these fixed assets. Based on the appraisals, the Corporation determined that a portion of the net carrying amount for these fixed assets was not recoverable. The Corporation recognized an impairment loss of approximately $8,627,000 during 2011. Fair value of the related remaining fixed assets is based on the independent third-party appraisals, less real estate commissions.

The Corporation has entered into a number of joint venture arrangements, including a 49 percent ownership interest in the Rehabilitation Hospital of Wisconsin, a 50 percent ownership interest in the Lake Country Endoscopy Center, a 30 percent ownership interest in the Orthopedic Surgery Center, and a 45 percent ownership interest in a medical office building.

Note 8 - Accrued Liabilities and Other

The details of accrued liabilities and other at September 30, 2012 and 2011 are as follows (in thousands):

	2012	2011
Payroll and related items	$ 26,595	$ 29,686
Compensated absences	10,554	10,455
Interest	1,815	1,906
Accrued postretirement liability	395	532
Other	4,076	4,963
Total accrued liabilities and other	$ 43,435	$ 47,542

Note 9 - Long-term Debt

A summary of long-term debt obligations at September 30, 2012 and 2011 is as follows (in thousands):

	2012	2011
Revenue Refunding Bonds, Series 2012, at interest rates ranging from 2.00 percent to 5.00 percent, maturing in 2032	$ 44,285	$ -
Revenue Refunding Bonds, Series 2011, at interest rates ranging from 3.00 percent to 5.00 percent, maturing in 2019	28,030	32,330
Revenue Bonds, Series 2009, at interest rates ranging from 6.00 percent to 6.63 percent, maturing in 2039	126,855	139,060
Adjustable Rate Revenue Bonds, Series 2008A, variable interest rates based on market conditions (0.19 percent at September 30, 2012), maturing in 2030	51,615	52,715
Adjustable Rate Revenue Bonds, Series 2008B, variable interest rates based on market conditions (0.21 percent at September 30, 2012), maturing in 2034	65,070	66,045
Adjustable Demand Revenue Bond, Series 2005, variable interest rates based on market conditions (0.21 percent at September 30, 2012), maturing in 2034	23,570	24,580
Revenue Bonds, Series 2001A, refunded during 2012	-	12,555
Revenue Bonds, Series 1999, refunded during 2012	-	21,560

Note 9 - Long-term Debt (Continued)

	2012	2011
Capital leases	$ 40,996	$ 42,120
Note payable to bank, interest rate of 1.98 percent at September 30, 2012	31,400	31,400
Total	411,821	422,365
Less current portion	9,581	8,958
Less unamortized bond discount	1,881	5,077
Long-term portion	$ 400,359	$ 408,330

The revenue bonds were issued on behalf of the Corporation by the Wisconsin Health and Educational Facilities Authority (WHEFA) and provide for a security interest in substantially all revenue of the Obligated Group except for certain restricted contributions and grants.

PHC, WMH, and OMH formed an Obligated Group (the "Obligated Group"). As members of the Obligated Group, the Hospitals and PHC jointly and severally have guaranteed the payment of any and all amounts due on the revenue bonds issued by WHEFA to the Obligated Group, which aggregates to $339,425,000 at September 30, 2012.

On May 4, 2012, the Obligated Group issued Revenue Refunding Bonds, Series 2012 for $44,650,000 to refund the remaining Series 1999 bonds, refund the 2001A bonds and advance refund a portion of the Series 2009 bonds. The bonds consist of fixed rate serial bonds, payable in annual installments ranging from $635,000 in 2013 to $3,795,000 in 2028, and fixed rate term bonds, payable in annual installments ranging from $2,770,000 in 2030 to $8,830,000 in 2032. In connection with the refunding of the existing indebtedness, a loss on extinguishment of debt was recognized in the amount of $2,811,000.

On January 1, 2011, the Obligated Group issued Revenue Refunding Bonds, Series 2011 for $35,060,000 to refund all of the Series 1995 bonds and refund a portion of the Series 1999 bonds. The bonds consist of fixed rate term bonds, payable in annual installments ranging from $1,815,000 to $4,790,000, and mature in 2019.

On April 30, 2009, the Obligated Group issued Revenue Bonds, Series 2009 for $139,060,000 to finance various construction projects at WMH and OMH, as well as repay funds borrowed under the revolving line of credit. The bonds were refunded in 2012 in the amount of $12,205,000.

Note 9 - Long-term Debt (Continued)

On August 14, 2008, the Obligated Group issued Adjustable Rate Revenue Bonds, Series 2008A and 2008B which are collateralized by two irrevocable bank letters of credit that expire on August 1, 2016 and May 31, 2016, respectively. The proceeds from the 2008 bonds were used to pay off the 2004A and 2001B bonds. The 2004A and 2001B bonds were legally defeased. The Series 2008 bonds are currently operating in a daily mode with the variable interest rate set each business day of each calendar week by the remarketing agent at a rate which would enable the bonds to be remarketed at a principal amount plus accrued interest each day. The Series 2008 bonds shall continue to bear interest at a daily rate until and unless converted to a different mode as provided in the bond indenture (other possible modes include weekly, adjustable, long, commercial paper, and fixed). All of the Series 2008 bonds must operate in the same mode at the same time. In the event the remarketing agent is unable to remarket the bonds, the bonds would remain outstanding and would be owned by the letter of credit banks. Repayment of any draws under the letter of credit would be payable in 12 equal quarterly installments of principal plus interest at the bank rate, commencing 367 days after the date of the draw, in accordance with the term specified in the letter of credit and reimbursement agreement with the bank.

On May 11, 2005, National Regency issued Adjustable Demand Revenue Bonds, Series 2005, for $29,990,000. The bonds are currently operating in a daily mode with the variable interest rate set each business day by the remarketing agent at a rate that would enable the bonds to be remarketed at the principal amount plus accrued interest. The bonds are collateralized by an irrevocable letter of credit that expires on May 31, 2016.

In the event that the remarketing agent is unable to remarket the bonds, the bonds would remain outstanding and would be owned by the letter of credit bank. Repayment of any draws under the letter of credit would be payable in 12 equal quarterly installments of principal plus interest at the bank rate, commencing 367 days after the date of the draw, in accordance with the term specified in the letter of credit and reimbursement agreement with the bank.

The loan agreements contain various covenants and restrictions, including the maintenance of certain financial ratios and the establishment and maintenance of debt service funds under the control of the bond trustee.

The Corporation has unsecured credit agreements that provide up to $10 million to the Corporation under revolving credit facilities. Under the revolving credit facilities, the Corporation has the ability to borrow funds under three options: interest at the prime rate, interest at various LIBOR rates, or commercial paper obligations. At September 30, 2011, $6,500,000 was outstanding under the credit agreements, with an effective rate of 1.39 percent. Balances outstanding under the credit agreements are guaranteed by WMH. There was no outstanding balance as of September 30, 2012.

Note 9 - Long-term Debt (Continued)

As described in Note 7, a put option was exercised during 2011. The Corporation purchased the facilities outright as a result of the put option being exercised. The Corporation signed a note payable totaling $31,400,000 related to the purchase of these facilities. The note is payable in annual installments commencing in 2017. Interest on the note is calculated as a fluctuating annual interest rate based on LIBOR plus 175 basis points.

Scheduled future maturities of long-term debt and minimum payments of capital lease obligations as of September 30, 2012 are as follows (in thousands):

Year Ending September 30		Long-term Debt	Capital Lease Obligations
2013		$ 8,245	$ 4,358
2014		8,575	4,489
2015		8,830	4,624
2016		8,110	4,762
2017		9,288	4,905
Thereafter		327,777	42,297
	Subtotal	370,825	65,435
	Less amount representing interest under capital lease obligations	-	(24,439)
	Total	$ 370,825	$ 40,996

Based on borrowing rates currently available to the Corporation for similar financing with similar terms and average maturities, the fair value of long-term debt, excluding capital leases, is approximately $400,384,000 and $394,342,000 at September 30, 2012 and 2011, respectively.

Derivative Instruments and Hedging Activities

The derivative instruments used by the Corporation are interest rate swap agreements that are used to manage variability in cash flows and to essentially convert variable rate interest on long-term debt to fixed rate interest. The variable interest rate on the debt generally exposes the Corporation to variability in cash flows in rising or declining interest rate environments. The interest rate swaps reduce the variability of the cash flow of the debt.

Note 9 - Long-term Debt (Continued)

(a) Objectives and Strategies

Debt obligations expose the Corporation to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

By using derivative financial instruments to hedge exposure to changes in interest rates, the Corporation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Corporation, which creates credit risk for the Corporation. When the fair value of a derivative contract is negative, the Corporation owes the counterparty and, therefore, it does not pose credit risk. The Corporation minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

(b) Risk Management Policies

The Corporation assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Corporation maintains risk management control systems to monitor interest rate risk attributable to both the Corporation's outstanding or forecasted debt obligations, as well as the Corporation's offsetting hedge positions. The risk management control system involves the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on the Corporation's future cash flows.

The Corporation does not use derivative instruments for speculative investment purposes.

(c) Transactions

Effective May 11, 2005, the Corporation entered into an interest rate swap matched to its Series 2005 bonds. Under the terms of this interest rate swap, the Corporation pays a fixed rate of 3.6 percent and receives a variable rate of interest equal to 70 percent of the one-month LIBOR index, reset weekly. The Corporation received no cash under the interest rate swap agreements in 2012 or 2011.

Note 9 - Long-term Debt (Continued)

Under the terms of the interest rate swap agreement related to the Series 2008A bonds, the Corporation pays a fixed rate of 3.52 percent and receives a variable rate of interest equal to 70 percent of the one-month LIBOR index, reset weekly. Under the terms of the interest rate swap agreement related to the Series 2008B bonds, the Corporation pays a fixed rate of 4.12 percent and receives a variable rate of interest equal to 70 percent of the one-month LIBOR index, reset weekly.

The Corporation does not record the interest rate swaps using hedge accounting; therefore, all changes in fair value are included in nonoperating losses in the consolidated statement of operations and changes in net assets.

The fair value of the interest rate swaps of $35,054,000 and $32,483,000 is included in the consolidated balance sheet at September 30, 2012 and 2011, respectively. During the years ended September 30, 2012 and 2011, the change in fair value of the interest rate swaps was $2,729,000 and $4,227,000, respectively, and was included in the nonoperating loss reported in the consolidated statement of operations and changes in net assets. Included in unrestricted net assets are $157,000 of unrealized gains related to the amortization of transition deferral of interest rate swaps during 2012 and 2011, respectively.

Activity relating to the Series 2005 adjustable demand revenue bonds was recorded using hedge accounting through December 2008. As of March 2009, it was determined that the swap was ineffective and no longer qualified for hedge accounting treatment. The accumulated change in fair value of $2,598,000 through December 2008 was not included in the consolidated statement of operations and changes in net assets. The amount is being amortized into the statement of operations and changes in net assets as a component of nonoperating gains (losses) through 2034.

Net cash paid under the interest rate swap agreements was $5,138,000 and $5,261,000 during 2012 and 2011, respectively. Cash received under the interest rate swap agreements was $0 in both 2012 and 2011.

The interest rate swap agreements at September 30, 2012 are as follows:

Type	Notional Amount (in thousands)	Maturity Date	Fixed Pay Rate (%)
2005 bonds	$ 23,570	August 15, 2034	3.60 %
2008A bonds	51,615	August 23, 2023	3.52
2008B bonds	65,070	February 1, 2034	4.12

Note 10 - Operating Leases

PHC, WMH, OMH, PHHC, and WHS are obligated under certain facility and equipment operating leases. Total rent expense under these leases was $8,802,000 and $7,927,000 for September 30, 2012 and 2011, respectively.

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year (in thousands):

Years Ending September 30	Rental Commitments
2013	$ 4,118
2014	3,780
2015	3,286
2016	3,089
2016	2,685
Thereafter	12,675
Total	$ 29,633

Note 11 - Pension and Other Postretirement Benefit Plans

Certain affiliates of the Corporation participate in the PHC defined benefit contributory group pension plan (the pension plan) covering certain full-time and regularly scheduled part-time employees who meet defined age and length-of-service requirements. The Corporation funds the amount calculated by the pension plan's consulting actuaries to meet the minimum Employee Retirement Income Security Act of 1974 (ERISA) funding requirements after consideration of employee contributions.

As of January 1, 2006, the pension plan was curtailed, allowing participants the option of remaining in the pension plan or becoming participants in a defined contribution retirement savings plan.

Certain affiliates of the Corporation participate in the PHC postretirement benefit plan (the PHC postretirement plan) covering all full-time and regularly scheduled part-time employees who meet defined length-of-service requirements. The postretirement plan provides health, vision, and pharmacy benefits to eligible retirees based on cumulative years of service.

During 2010, the Corporation modified the postretirement plan to eliminate the postretirement benefit for participants who retire after December 31, 2010. In addition, the benefit for participants who retire prior to December 31, 2010 will expire as of December 31, 2013. The plan amendment had a significant impact on the projected benefit obligation of the postretirement plan, as reflected in the table below.

Note 11 - Pension and Other Postretirement Benefit Plans (Continued)

The Corporation also has deferred compensation agreements with certain employees and executives.

Obligations and funded status at September 30, 2012 and 2011 are as follows (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Change in Projected Benefit Obligation				
Projected benefit obligation at beginning of year	$ 226,844	$ 215,697	$ 994	$ 1,640
Service cost	7,574	7,330	-	8
Interest cost	11,130	11,414	36	76
Plan participants' contributions	-	-	282	505
Amendments	317	3,032	-	-
Actuarial gain (loss)	39,531	1,520	686	(473)
Benefits and expenses paid	(9,964)	(12,149)	(1,472)	(762)
Projected benefit obligation at end of year	275,432	226,844	526	994
Change in Plan Assets				
Fair value of plan assets at beginning of year	142,454	145,356	-	-
Actual gain (loss) on plan assets	25,733	(3,955)	-	-
Employer contributions	15,166	11,379	1,190	257
Plan participants' contributions	-	-	282	505
Benefits and expenses paid	(9,042)	(10,326)	(1,472)	(762)
Fair value of plan assets at end of year	174,311	142,454	-	-
Funded status at end of year	$ (101,121)	$ (84,390)	$ (526)	$ (994)

The accumulated benefit obligation for the defined benefit pension plans was $249,299,000 and $202,662,000 at September 30, 2012 and 2011, respectively. The accumulated benefit obligation for the postretirement benefit plan was $526,000 and $994,000 at September 30, 2012 and 2011, respectively. At September 30, 2012 and 2011, $394,000 and $532,000, respectively, of the liability is classified as accrued liabilities and other and the remainder as other liabilities on the accompanying consolidated balance sheet.

Note 11 - Pension and Other Postretirement Benefit Plans (Continued)

Components of net periodic benefit cost and other changes in plan assets and benefit obligations are as follows (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Net Periodic Benefit Cost				
Service cost	$ 7,574	$ 7,330	$ -	$ 8
Interest cost	11,130	11,414	36	76
Return on plan assets	(25,733)	3,955	-	-
Amortization of prior service cost and asset loss (gain)	19,030	(12,147)	(7,120)	(6,921)
Net periodic benefit cost	12,001	10,552	(7,084)	(6,837)
Other Changes in Plan Assets and Benefit Obligations				
Net loss (gain)	20,258	14,128	439	(1,045)
Prior service credit	(594)	1,918	7,367	7,367
Other changes in plan assets and benefit obligations	19,664	16,046	7,806	6,322
Total net periodic benefit cost and other changes in plan assets and benefit obligations	$ 31,665	$ 26,598	$ 722	$ (515)

Weighted-average Assumptions Used to Determine Benefit Obligations at September 30

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Discount rate	4.00 %	5.00 %	4.00 %	5.00 %
Rate of compensation increase	3.20	3.80	-	-

Weighted-average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended September 30

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Discount rate	5.00 %	5.70 %	5.00 %	5.70 %
Rate of compensation increase	3.80	3.50	-	-

Note 11 - Pension and Other Postretirement Benefit Plans (Continued)

The overall expected rate of return on plan assets represents a weighted-average composite rate based on the historical rates of returns of the respective asset classes adjusted for anticipated market movements. The determination is influenced by the asset allocation, as well as the PHC investment policy. PHC's investment strategy is of a long-term nature and is intended to ensure that funds are available to pay benefits as they become due and to maximize the trust's total return at an appropriate level of investment risk.

Plan Assets	September 30	
	2012	2011
Asset category:		
Equity securities	71 %	70 %
Debt securities	14	15
Cash equivalents	7	5
Other	8	10
Total	100 %	100 %

The goals of the investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Corporation, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and ensure timely payment of retirement benefits. The target allocation range of percentages for each major category of plan assets is as follows:

Equity securities	80%
Fixed-income securities	15%
Other	5%

Contributions

The Corporation contributed $16,356,000 to its pension and postretirement benefit plans in 2012.

Note 11 - Pension and Other Postretirement Benefit Plans (Continued)

Estimated Future Benefit Payments

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

Years Ending September 30	Pension Benefits	Postretirement Benefits
2013	$ 6,832	$ 403
2014	11,629	99
2015	8,564	1
2016	9,477	2
2017	10,532	2
2018-2022	75,128	9

The Corporation also sponsors a defined contribution retirement savings plan. The Corporation matches each participant's contribution based on two different matching plans. The first plan is available to employees hired after November 1, 2004 and those employees hired prior to November 1, 2004 who elected to freeze their benefit accruals in the PHC pension plan effective January 1, 2006. Under this matching plan, employees receive between 40 percent and 120 percent of employee contributions up to 6 percent of pay, based on years of service. The second matching plan is available to those employees hired prior to November 1, 2004 who elected to continue their benefit accruals in the PHC pension plan effective January 1, 2006. These employees receive a fixed amount equal to 50 percent of their salary deferrals that do not exceed 4 percent of their compensation. The Corporation's expense for the defined contribution retirement savings plan was $9,795,000 and $9,490,000 in 2012 and 2011, respectively.

The Corporation's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. In 2012, the U.S. Treasury securities were determined to be Level 2 assets rather than Level 1 and were transferred between those two categories. There were no other transfers between levels of the fair value hierarchy during 2012 and 2011.

Note 11 - Pension and Other Postretirement Benefit Plans (Continued)

The fair values of the Corporation's pension plan assets at September 30, 2012 and 2011 by major asset class are as follows (in thousands):

Fair Value Measurements at September 30, 2012

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Classes				
Money market funds	$ 12,783	$ 12,783	$ -	$ -
Equity securities - Common stock	102,243	102,243	-	-
Mutual funds - Equity	21,872	21,872	-	-
U.S. Treasury securities	13,612	-	13,612	-
U.S. government agencies	1,723	-	1,723	-
Corporate bonds	8,187	-	8,187	-
Insurance contracts	1,297	-	-	1,297
Private equity funds	12,594	-	-	12,594
Total	$ 174,311	$ 136,898	$ 23,522	$ 13,891

Fair Value Measurements at September 30, 2011

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Classes				
Money market funds	$ 7,446	$ 7,446	$ -	$ -
Equity securities - Equity securities	81,845	81,845	-	-
Mutual funds - Equity	18,446	18,446	-	-
U.S. Treasury securities	7,859	-	7,859	-
U.S. government agencies	5,818	-	5,818	-
Corporate bonds	7,457	-	7,457	-
Insurance contracts	1,412	-	-	1,412
Private equity funds	12,171	-	-	12,171
Total	$ 142,454	$ 107,737	$ 21,134	$ 13,583

Note 11 - Pension and Other Postretirement Benefit Plans (Continued)

The tables above present information about the pension plan assets measured at fair value at September 30, 2012 and 2011 and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the plan has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

Note 12 - Commitments and Contingencies

Deferred Compensation - Other long-term liabilities include $20,634,000 and $16,369,000 at September 30, 2012 and 2011, respectively, relating to employee deferred compensation agreements at WHS. Although these deferred compensation liabilities are unsecured, assets designated to fund these liabilities are reported in other assets (see Note 7). Such assets are subject to the claims of the general creditors of the Corporation.

Unemployment Compensation - The Corporation has elected the reimbursement method to finance the cost of unemployment compensation benefits. Unemployment compensation expense is charged to operating expense when the claims are incurred. The Corporation has obtained letters of credit of approximately $2,433,000 at both September 30, 2012 and 2011, as required by the State of Wisconsin, as collateral for payment of possible future unemployment claims.

Malpractice Insurance - The Corporation has professional liability insurance for claim losses less than $1 million per claim and $3 million per year for claims incurred during a policy year regardless of when the claim is reported (occurrence coverage). Losses in excess of these amounts are covered through the Corporation's mandatory participation in the Injured Patients and Families Compensation Fund of the State of Wisconsin.

Regulatory Investigations - The U.S. Department of Justice and other federal agencies are increasing resources dedicated to the regulatory investigations and compliance audits of healthcare providers. The Corporation is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material adverse effect on the Corporation's consolidated financial position or results of operations.

Note 12 - Commitments and Contingencies (Continued)

Litigation - The Corporation is subject to various legal proceedings and claims that are incidental to its normal business activities. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the consolidated financial position or results of operations of the Corporation.

Note 14 - Functional Expenses

Expenses related to providing services for the years ended September 30, 2012 and 2011 are as follows (in thousands):

	2012	2011
Healthcare services	$ 521,377	$ 519,212
Senior housing services	10,518	11,084
Counseling services	17,271	18,186
Medical office building services	943	959
Administrative and support services	109,655	120,033
Total	$ 659,764	$ 669,474

Note 15 - Fair Value Measurements

Accounting standards require certain assets and liabilities to be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Corporation's assets and liabilities measured at fair value on a recurring basis at September 30, 2012 and 2011 and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 15 - Fair Value Measurements (Continued)

The fair values of the Corporation's investments by major asset classes are as follows (in thousands):

Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2012

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2012
Assets - Assets whose use is limited or restricted and investments:				
Domestic corporate bonds	$ -	$ 64,088	$ -	$ 64,088
Foreign corporate bonds	-	23,968	-	23,968
United States government bonds	-	28,197	-	28,197
Mortgage-backed securities	-	774	-	774
Domestic stock	169,514	-	-	169,514
Domestic exchange traded funds	31,388	-	-	31,388
Foreign stock	39,153	-	-	39,153
Foreign exchange traded funds	32,957	-	-	32,957
Private equity investment agreements	-	-	38,658	38,658
Total assets	$ 273,012	$ 117,027	$ 38,658	$ 428,697
Liabilities - Fair value of interest rate swap agreements	$ -	$ 35,054	$ -	$ 35,054

Note 15 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2011

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2011
Assets - Assets whose use is limited or restricted and investments:				
Domestic corporate bonds	$ -	$ 13,132	$ -	$ 13,132
Foreign corporate bonds	-	5,463	-	5,463
United States government bonds	-	63,943	-	63,943
Mortgage-backed securities	-	832	-	832
Domestic stock	123,588	-	-	123,588
Domestic exchange traded funds	18,752	-	-	18,752
Foreign stock	32,523	-	-	32,523
Foreign exchange traded funds	23,604	-	-	23,604
Private equity investment agreements	-	-	40,521	40,521
Commercial paper	14,778	-	-	14,778
Total assets	$ 213,245	$ 83,370	$ 40,521	$ 337,136
Liabilities - Fair value of interest rate swap agreements	$ -	$ 32,483	$ -	$ 32,483

Assets whose use is limited or restricted and investments on the consolidated balance sheet, and further discussed in Note 4, at September 30, 2012 and 2011 included cash and money market funds, pledges receivable, and certificates of deposit of approximately $44,963,000 and $75,480,000, respectively. Cash, certificates of deposit, and money market funds are not measured at fair value on a recurring basis and therefore are not included in the table above.

The fair value of the various government and corporate bonds were determined primarily based on Level 2 inputs. The Corporation estimates the fair value of these investments using quoted prices for similar assets in active markets. The fair value of these assets was determined primarily based on quoted market prices from the Corporation's custodial banks.

Note 15 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2012 and 2011 (in thousands) are as follows:

	Private Equity and Hedge Funds
Balance at October 1, 2011	$ 40,521
Net sales and maturities	(1,243)
Total unrealized losses	(620)
Balance at September 30, 2012	$ 38,658

	Private Equity and Hedge Funds
Balance at October 1, 2010	$ 35,401
Net sales and maturities	(254)
Total unrealized gains	5,374
Balance at September 30, 2011	$ 40,521

The fair value of the private equity and hedge fund agreements at September 30, 2012 and 2011 was determined primarily based on Level 3 inputs. The Corporation estimates the fair value of these investments based on the most recent investment statement provided for the respective funds.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Investments in Entities that Calculate Net Asset Value per Share

The Corporation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

Note 15 - Fair Value Measurements (Continued)

At year end, the fair value and unfunded commitments of those investments are as follows (in thousands):

Investments Held at September 30, 2012

	Fair Value	Unfunded Commitments
Funds of hedge funds	$ 13,823	$ -
Real estate funds	3,794	888
Private equity funds	21,041	3,294
Total	$ 38,658	$ 4,182

The fund of hedge funds class includes investments in hedge funds that include a strategy of generating return through investments in a number of different hedge funds. The fund makes allocations to various event driven, relative value, and tactical hedge funds that are identified through a disciplined investment process. The allocation of assets amongst the underlying managers is subject to the discretion of the funds manager. Underlying funds include both single strategy and multi-strategy funds and the number of funds is also set at the discretion of the fund of funds manager. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The real estate funds class includes several limited partnership structures and are illiquid in nature. Private real estate encompasses a broad array of strategies and securities, including core, core plus, enhanced value, and opportunistic. Core and leveraged core strategies usually are based on investments in existing properties with a fairly stable income stream. Enhanced value investments are made in properties with low leasing levels, significant lease rollover activity, or are undergoing redevelopment. Opportunistic strategies include new construction, empty properties, or projects undergoing significant redevelopment. Other strategies such as mezzanine or special situations will invest in debt, preferred equity, or other parts of a company's capital structure. Some strategies will utilize leverage which can enhance returns as well as potential losses. Investments may be in any country, though funds will typically specialize in specific regions and countries. The fair values of the investments in this class have been estimated using the net asset value of the Corporation's ownership interest in partners' capital.

The private equity funds class includes several private equity funds that invest primarily in unlisted companies (companies that are not traded on public exchanges), or in some cases, listed companies are purchased and taken private. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Note 16 - Sale and Leaseback of Buildings

During 2010, the Corporation and its affiliates entered an agreement to sell various facilities and then lease the facilities back under lease arrangements. The sale on certain facilities resulted in a gain on sale, which has been deferred and is being recognized over the period of the leases.

Consolidating Information

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Auditor's Report on Consolidating Information

To the Board of Directors
ProHealth Care, Inc. and Affiliates

We have audited the consolidated financial statements of ProHealth Care, Inc. and Affiliates (the "Corporation") as of and for the years ended September 30, 2012 and 2011. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies 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.

Plante & Moran, PLLC

December 14, 2012

ProHealth Care, Inc. and Affiliates

Consolidating Balance Sheet
September 30, 2012
(In thousands)

	ProHealth Care, Inc	Waukesha Memorial Hospital, Inc	Oconomowoc Memorial Hospital, Inc	Eliminations	Total Obligated Group	Waukesha Health System, Inc	ProHealth Home Care, Inc	National Regency of New Berlin, Inc	Eliminating Entries	Consolidated Total
Assets										
Current Assets										
Cash and cash equivalents	$ 3,803	$ 16,313	$ 2,842	$ -	$ 22,958	$ 8,514	$ 365	$ 14,771	$ -	$ 46,608
Patient accounts receivable - Net	-	57,867	11,387	-	69,254	7,533	2,037	-	-	78,824
Other receivables	10,451	11,480	2,246	(14,049)	10,128	4,907	293	-	(7,080)	8,248
Current assets whose use is limited or restricted	-	6,438	873	-	7,311	-	-	-	-	7,311
Prepaid expenses and other	1,211	5,057	442	-	6,710	1,816	34	341	-	8,901
Inventory of supplies	-	6,777	2,126	-	8,903	812	-	42	-	9,757
Total current assets	15,465	103,932	19,916	(14,049)	125,264	23,582	2,729	15,154	(7,080)	159,649
Noncurrent Assets Whose Use is Limited or Restricted	-	405,931	40,433	-	446,364	95	-	105	-	446,564
Investments	-	-	-	-	-	17,301	2,484	-	-	19,785
Property and Equipment	8,177	260,236	98,035	-	366,448	60,561	4,477	42,556	-	474,042
Interest in Net Assets of Charitable Foundation	-	-	7,330	-	7,330	-	3,249	-	(3,249)	7,330
Goodwill and Other Intangible Assets	-	-	-	-	-	5,311	-	-	-	5,311
Other Assets	46,133	4,564	1,190	-	51,887	29,798	-	336	(40,246)	41,775
Total assets	**$ 69,775**	**$ 774,663**	**$ 166,904**	**$ (14,049)**	**$ 997,293**	**$ 136,648**	**$ 12,939**	**$ 58,151**	**$ (50,575)**	**$ 1,154,456**

ProHealth Care, Inc. and Affiliates

Consolidating Balance Sheet (Continued)
September 30, 2012
(In thousands)

	ProHealth Care, Inc	Waukesha Memorial Hospital, Inc	Oconomowoc Memorial Hospital, Inc	Eliminations	Total Obligated Group	Waukesha Health System, Inc	ProHealth Home Care, Inc	National Regency of New Berlin, Inc	Eliminating Entries	Consolidated Total
Liabilities, Equity, and Net Assets										
Current Liabilities										
Current portion of long-term debt	$ (121)	$ 6,931	$ 873	$ -	$ 7,683	$ 843	$ -	$ 1,055	$ -	$ 9,581
Accounts payable	8,563	27,522	5,346	(14,049)	27,382	6,887	264	510	(7,080)	27,963
Deferred revenue	-	-	-	-	-	903	-	-	-	903
Accrued liabilities and other	5,324	20,204	3,358	-	28,886	12,531	565	1,453	-	43,435
Total current liabilities	13,766	54,657	9,577	(14,049)	63,951	21,164	829	3,018	(7,080)	81,882
Long-term Debt	31,812	228,782	89,643	-	350,237	27,607	-	22,515	-	400,359
Fair Value of Interest Rate Swap Agreement	-	26,675	3,714	-	30,389	-	-	4,665	-	35,054
Other Liabilities										
Postretirement liability	13	82	23	-	118	9	5	-	-	132
Deferred revenue	-	-	-	-	-	5,482	-	-	-	5,482
Pension liability	14,459	50,877	12,354	-	77,690	21,564	1,867	-	-	101,121
Other long-term liabilities	498	1,387	336	-	2,221	20,576	-	151	-	22,948
Total liabilities	60,548	362,460	115,647	(14,049)	524,606	96,402	2,701	30,349	(7,080)	646,978
Equity	-	-	-	-	-	40,246	-	-	(40,246)	-
Net Assets										
Unrestricted	9,227	396,968	42,731	-	448,926	-	3,399	27,802	-	480,127
Temporarily restricted	-	5,557	8,191	-	13,748	-	6,839	-	(3,249)	17,338
Permanently restricted	-	6,710	335	-	7,045	-	-	-	-	7,045
Noncontrolling interest in consolidated subsidiaries	-	2,968	-	-	2,968	-	-	-	-	2,968
Total liabilities, equity, and net assets	**$ 69,775**	**$ 774,663**	**$ 166,904**	**$ (14,049)**	**$ 997,293**	**$ 136,648**	**$ 12,939**	**$ 58,151**	**$ (50,575)**	**$ 1,154,456**

ProHealth Care, Inc. and Affiliates

Consolidating Statement of Operations and Changes in Net Assets and Stockholder's Equity
Year Ended September 30, 2012
(In thousands)

	ProHealth Care, Inc	Waukesha Memorial Hospital, Inc	Oconomowoc Memorial Hospital, Inc	Eliminations	Total Obligated Group	Waukesha Health System, Inc	ProHealth Home Care, Inc	National Regency of New Berlin,, Inc	Eliminating Entries	Consolidated Total
Unrestricted Revenue, Gains, and Other Support										
Net patient service revenue	$ -	$ 442,456	$ 91,107	$ -	$ 533,563	$ 100,775	$ 7,452	$ -	$ -	$ 641,790
Other operating revenue	90,867	13,553	4,749	(80,477)	28,692	29,593	863	17,911	(25,842)	51,217
Total unrestricted revenue, gains, and other support	90,867	456,009	95,856	(80,477)	562,255	130,368	8,315	17,911	(25,842)	693,007
Expenses										
Salaries and wages	46,686	108,945	23,228	-	178,859	76,412	4,817	4,172	(41)	264,219
Employee benefits and payroll taxes	14,608	29,348	5,596	(20)	49,532	18,749	1,180	577	(49)	69,989
Operating supplies and expenses	1,130	77,591	17,217	-	95,938	8,963	464	950	(2,756)	103,559
Depreciation and amortization	685	35,576	9,118	-	45,379	5,109	214	2,758	-	53,460
Provision for bad debts	-	19,117	3,206	-	22,323	3,187	192	-	(2,106)	23,596
Interest	-	12,927	5,710	-	18,637	3,101	-	1,110	-	22,848
Contracted services and other	27,758	120,971	29,321	(80,457)	97,593	40,032	1,001	4,357	(20,890)	122,093
Total expenses	90,867	404,475	93,396	(80,477)	508,261	155,553	7,868	13,924	(25,842)	659,764
Income (Loss) from Operations	-	51,534	2,460	-	53,994	(25,185)	447	3,987	-	33,243
Nonoperating (Loss) Gain	(23,141)	44,837	3,804	-	25,500	2,044	63	(427)	23,141	50,321
Excess of Revenue (Under) Over Expenses	**$ (23,141)**	**$ 96,371**	**$ 6,264**	**$ -**	**$ 79,494**	**$ (23,141)**	**$ 510**	**$ 3,560**	**$ 23,141**	**$ 83,564**

ProHealth Care, Inc. and Affiliates

Consolidating Statements of Operations and Changes in Net Assets and Stockholder's Equity (Continued)
Year Ended September 30, 2012
(In thousands)

	ProHealth Care, Inc	Waukesha Memorial Hospital, Inc	Oconomowoc Memorial Hospital, Inc	Eliminations	Total Obligated Group	Waukesha Health System, Inc	ProHealth Home Care, Inc	National Regency of New Berlin, Inc	Eliminating Entries	Consolidated Total
Unrestricted Net Assets and Equity										
Excess of revenue (under) over expenses	$ (23,141)	$ 96,371	$ 6,264	$ -	$ 79,494	$ (23,141)	$ 510	$ 3,560	$ 23,141	$ 83,564
Unrealized gain on interest rate swaps	-	-	-	-	-	-	-	157	-	157
Transfer from (to) affiliate	30,893	(27,173)	(3,720)	-	-	30,893	-	-	(30,893)	-
Pension-related changes other than net periodic benefit cost	(8,055)	(15,488)	(3,355)	-	(26,898)	(6,012)	(572)	-	6,012	(27,470)
Net assets released from restriction for plant and equipment additions	-	70	-	-	70	-	219	-	-	289
Other	587	521	-	-	1,108	-	-	-	-	1,108
Increase (decrease) in unrestricted net assets and equity	284	54,301	(811)	-	53,774	1,740	157	3,717	(1,740)	57,648
Temporarily Restricted Net Assets										
Restricted contributions	-	3,127	20	-	3,147	-	-	-	-	3,147
Restricted investment income	-	969	-	-	969	-	-	-	-	969
Unrealized losses on investments	-	1,974	-	-	1,974	-	-	-	-	1,974
Change in interest of net assets of charitable foundation	-	-	973	-	973	-	237	-	(237)	973
Net assets released from restriction	-	(3,884)	-	-	(3,884)	-	(219)	-	-	(4,103)
Other	-	(3,164)	-	-	(3,164)	-	-	-	-	(3,164)
(Decrease) increase in temporarily restricted net assets	-	(978)	993	-	15	-	18	-	(237)	(204)
Permanently Restricted Net Assets - Restricted contributions	-	85	48	-	133	-	-	-	-	133
Increase (Decrease) in Net Assets	284	53,408	230	-	53,922	1,740	175	3,717	(1,977)	57,577
Stockholder's Equity - Beginning of year	-	-	-	-	-	38,506	-	-	(38,506)	-
Net Assets - Beginning of year	8,943	358,795	51,027	-	418,765	-	10,063	24,085	(3,012)	449,901
Stockholder's Equity - End of year	-	-	-	-	-	40,246	-	-	(40,246)	-
Net Assets - End of year	9,227	412,203	51,257	-	472,687	-	10,238	27,802	(3,249)	507,478
Total Net Assets and Stockholder's Equity	**$ 9,227**	**$ 412,203**	**$ 51,257**	**$ -**	**$ 472,687**	**$ 40,246**	**$ 10,238**	**$ 27,802**	**$ (43,495)**	**$ 507,478**