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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)	OMB No 1545-0047 2012 Open to Public Inspection
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization Community Memorial Hospital of Menomonee Falls Inc		D Employer identification number 39-0987025
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) W180 N8085 Town Hall Road	Room/suite	E Telephone number (414) 777-0960
	City or town, state or country, and ZIP + 4 Menomonee Falls, WI 53051		G Gross receipts \$ 256,954,355
	F Name and address of principal officer Catherine A Jacobson		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.froedtert.com			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities Community Memorial Hospital advances the health of the communities we serve through exceptional care enhanced by innovation and discovery		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	20
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	16
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	1,478
	6 Total number of volunteers (estimate if necessary)	6	235
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
7b Net unrelated business taxable income from Form 990-T, line 34	7b		
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	177,422,513	178,272,452
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	5,935,742	6,461,842
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	22,078,021	10,155,074
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	205,436,276	194,889,368
	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	50,000	49,964
Expenses	14 Benefits paid to or for members (Part IX, column (A), line 4)		0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	64,494,413	67,273,584
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0
	b Total fundraising expenses (Part IX, column (D), line 25) 242,235		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	118,794,930	109,874,721
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	183,339,343	177,198,269
	19 Revenue less expenses Subtract line 18 from line 12	22,096,933	17,691,099
	Net Assets or Fund Balances	Beginning of Current Year	
20 Total assets (Part X, line 16)		308,290,602	321,723,931
21 Total liabilities (Part X, line 26)		170,021,753	135,901,625
22 Net assets or fund balances Subtract line 21 from line 20		138,268,849	185,822,306

Part II Signature Block

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

Sign Here	Signature of officer			2014-05-08	
	Type or print name and title Scott R Hawig CFO			Date	
Paid Preparer Use Only	Print/Type preparer's name		Preparer's signature		Date
	Firm's name ▶ KPMG LLP		Check ☐ if self-employed		PTIN
	Firm's address ▶ 191 W Nationwide Blvd Suite 500 Columbus, OH 43215		Firm's EIN ▶		Phone no

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				
Community Memorial Hospital advances the health of the communities we serve through exceptional care enhanced by innovation and discovery					
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 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 \$ 82,718,239	including grants of \$)	(Revenue \$ 103,167,715)	
Inpatient Services Community Memorial Hospital was founded in 1964 by citizens of the community it serves The hospital is accredited by The Joint Commission Combining next-generation technology with personalized care, Community Memorial Hospital strives to enhance and improve the quality of life in Waukesha, Washington, Milwaukee and Ozaukee counties Community Memorial Hospital is approved for 237 beds of which 202 are staffed and had 8,663 patient admissions and 40,390 patient days related to a wide range of inpatient services, including hospitalist services, general surgery, internal medicine, rehabilitation services, psychiatry, obstetrics and maternity care, cardiology, and other specialty care for the twelve months ended June 30, 2013 Community Memorial Hospital's Heart and Vascular Center is nationally recognized for its excellent outcomes and superior service to patients At the Heart and Vascular Center, dedicated physicians work as a team with cardiac nurses and other specialized staff to provide the full spectrum of heart care services, from diagnostic tests and surgical procedures to cardiac rehabilitation Our extensive system of heart and vascular specialists collaborate to ensure that patients receive comprehensive, high-quality care Our partnership with Froedtert & The Medical College of Wisconsin allow us to offer patients the most advanced surgical and non-surgical treatments available During fiscal year 2013, Community Memorial had 16,555 cardiology procedures Community Memorial Hospital's Cancer Care Center is accredited by the American College of Surgeons Commission on Cancer and the American College of Radiology As a select location in the Froedtert & The Medical College of Wisconsin Cancer Network, Community Memorial provides the excellent care to which you are accustomed, while offering access to the specialty expertise of Froedtert Hospital, eastern Wisconsin's only academic medical center Through a connection to Froedtert Hospital, patients at Community Memorial have access to expanded services nationally and internationally known specialists who focus on specific cancers, advanced treatments and technologies, and clinical trials that may provide further options Medical College of Wisconsin cancer specialists are joined by radiation therapists, oncology nurses, genetic counselors, registered dietitians, psycho-oncology specialists, and support service specialists at Community Memorial Hospital's Cancer Care Center all of whom are keenly attuned to the needs, hopes and fears of cancer patients Each patient's care is coordinated with specialists from many areas of Community Memorial Hospital, who help and support patients and their families through the physical, emotional and economic phases of treatment By combining clinical research methods with the most advanced treatments, our doctors are battling cancer from every angle possible giving patients a stronger reason to believe in a full recovery During fiscal year 2013, Community Memorial had 695 cancer registry cases At Community Memorial Hospitals Birthing Center, we are committed to relationship-centered birthing care The Birthing Center includes 13 specialty equipped rooms and provides the full spectrum of prenatal services for both normal and high-risk pregnancies The Level II NICU has the technology needed to provide long-term care for babies During fiscal year 2013, Community Memorial had 1,010 births In addition to the cardiac, cancer care and birthing services noted above, the Hospital provided a variety of inpatient ancillary treatments and procedures during the fiscal year including but not limited to the following Surgeries 3,480 Laboratory Tests 377,209 CT Scans 3,808 MRIs 608 Nuclear Medicine Scans 381 Ultrasounds 1,892					
4b	(Code)	(Expenses \$ 50,469,920	including grants of \$)	(Revenue \$ 62,947,016)	
Outpatient Services Community Memorial had 95,989 outpatient visits in the twelve months ended June 30, 2013 Community offers a wide variety of ancillary, specialty and subspecialty services including but not limited to the following - Allergy/Immunology - Cardiology - Clinical Genetics - Dermatology - Electrophysiology - Endocrinology - Family Practice - Gastroenterology - Gerontology - Gynecologic Oncology - Gynecology - Hand Surgery - Hematology - Infectious Disease - Internal Medicine - Interventional Radiology - Magnetic Resonance Imaging - Neonatology - Nephrology - Neurosurgery - Nuclear Medicine - Occupational Medicine - Oncology - Ophthalmology - Oral Surgery - Otolaryngology - Pathology - Pediatrics - Pedodontics - Perinatology - Periodontics - Physical Medicine and Rehabilitation - Plastic/Reconstructive Surgery - Podiatry - Psychiatry - Psychology - Pulmonary Medicine - Radiology - Radiation Oncology - Rheumatology - Thoracic Surgery - Urology - Vascular Surgery					
4c	(Code)	(Expenses \$ 9,747,868	including grants of \$)	(Revenue \$ 12,157,721)	
Emergency Services Community Memorials Emergency Department is a Level III Trauma Center and provides care for individuals with emergent, urgent, and non-urgent problems During fiscal year 2013, the emergency department had 20,747 emergency visits, with patients receiving expert care from board-certified emergency physicians and nurses certified in Advanced Cardiac Life Support, stroke and trauma care Our Emergency Department is strengthened by the availability of and access to highly trained specialists in trauma, neurosurgery, cardiology, cardiothoracic surgery including robotic surgery, orthopaedics, respiratory, obstetrics, gynecology, psychiatry and other specialties when the need arises Community Memorial Hospital is a Certified Advanced Primary Stroke Center, the highest level of stroke care recognized by the Joint Commission, demonstrating its ability to provide care from a multi-disciplinary team of neurologists, neurosurgeons, emergency department specialists, radiologists, nurses, therapists, pharmacists, technicians and more all working in a coordinated, collaborative system With our new telestroke technology (secure videoconferencing), our physicians are able to consult in real-time with board-certified stroke neurologists from the Froedtert & The Medical College of Wisconsin academic medical center This technology allows for faster diagnosis and treatment of stroke patients					
4d	Other program services (Describe in Schedule O)				
	(Expenses \$	including grants of \$	(Revenue \$)		
4e	Total program service expenses		142,936,027		

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	No
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 for escrow or custodial account liability, 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, line 10? 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 and XII 	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 and XII 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, Parts I and IV	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 United States? If "Yes," complete Schedule F, Parts 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 United States? If "Yes," complete Schedule F, Parts 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 (see instructions) 	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 Yes	
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 hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		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? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		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 direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b 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.	200	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		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.	1,478	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?			No
3b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.			No
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, securities account, or other financial account)?			No
4b 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?			No
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
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 as charitable contributions?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
7 Organizations that may receive deductible contributions under section 170(c).			
7a 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?			No
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?			
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			No
7d If "Yes," indicate the number of Forms 8282 filed during the year.		0	
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			No
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			No
7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			No
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?			No
9 Sponsoring organizations maintaining donor advised funds.			
9a Did the organization make any taxable distributions under section 4966?			No
9b Did the organization make a distribution to a donor, donor advisor, or related person?			No
10 Section 501(c)(7) organizations. Enter			
10a Initiation fees and capital contributions included on Part VIII, line 12.			
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.			
11 Section 501(c)(12) organizations. Enter			
11a Gross income from members or shareholders.			
11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).			
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			No
12b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.			No
13b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.			
13c Enter the amount of reserves on hand.			
14a Did the organization receive any payments for indoor tanning services during the tax year?			No
14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.			

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	20		
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent		
1b	16		
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	Yes
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	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 ☐ Other (explain in Schedule O)	
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 during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	David Dirksmeyer N74W127501 Leatherwood Ct Menomonee Falls, WI (414) 777-0960

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 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) Stadelmann Douglas J	1 00	X		X				0	0	0
Dir&Secretary	0 00									
(2) Pollard Dennis	1 00	X		X				0	553,415	111,706
Dir&President	46 00									
(3) Pieters Robert B	1 00	X		X				0	0	0
Dir&Chair	1 00									
(4) Bast Ronald R	1 00	X		X				0	0	0
Dir&Vice Chair	2 00									
(5) White MD Michael G	1 00	X						0	0	0
Director	0 00									
(6) Turtenwald Robyn	1 00	X						0	0	0
Director	0 00									
(7) Templin Susan	1 00	X						0	0	0
Director	1 00									
(8) Specht-Palmert Christine	1 00	X						0	0	0
Director	0 00									
(9) Shepherd MD Dennis W	1 00	X						0	0	0
Executive Dir	0 00									
(10) Nelson Eric	1 00	X						0	0	0
Director	0 00									
(11) Mays Cedric	1 00	X						0	0	0
Director	0 00									
(12) Lux Theresa M	50 00	X						247,668	0	39,985
Dir,VP Pt Care	1 00									
(13) Jacobson Catherine A	1 00	X						0	1,001,826	179,860
Dir,FH Pres/CEO	50 00									
(14) Hart Daniel	1 00	X						0	0	0
Dir/Treasurer	1 00									
(15) Hackett MD James G	1 00	X						0	0	0
Director	0 00									
(16) Goldberg MD David F	50 00	X						346,084	0	66,474
Dir,VP Med Afrs	0 00									
(17) Fitzgerald Mark	1 00	X						0	0	0
Director	0 00									

Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) Ellis Sharon Q Director	1 00 1 00	X						0	0	0
(19) Borden Susan Director	1 00 0 00	X						0	0	0
(20) Becker Richard C Director	1 00 1 00	X						0	0	0
(21) Aggarwal Anil MD Director	1 00 0 00	X						0	0	0
(22) Knoll Thomas Treasurer	1 00 41 00			X				0	152,361	35,101
(23) Van De Kreeke Jeffrey FH CFO	1 00 50 00			X				0	428,725	85,514
(24) Hawig Scott FH CFO	1 00 50 00			X				0	229,597	10,354
(25) Ehn Diane VP Qlty & Perf Exc	40 00 0 00					X		162,789	0	37,694
(26) Evenson Rock E VP Pln & Prg Dvlp	50 00 0 00					X		209,370	0	52,682
(27) Freiberg Kerry J VP Extnl Affairs	50 00 1 00					X		206,356	0	40,598
(28) McClure Debra Nurse Anesthetist	50 00 0 00					X		273,137	0	18,052
(29) Sanders Paul A Sr VP, Chncl Srvc	50 00 0 00					X		304,710	0	36,109
(30) Unger Michael Former - Officer (VP)	0 00 40 00						X	0	240,775	16,131
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,750,114	2,606,699	730,260

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▶74

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

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year		
(A) Name and business address		(B) Description of services	(C) Compensation
Von Briesen & Roper 411 E Wisconsin Ave Ste 700 Milwaukee WI 53201		Legal	1,086,848
United Dynacare 9200 W Wisconsin Ave Milwaukee WI 53226		Lab	752,803
Medical Staffing Network 901 Yamato Rd Suite 110 Boca Raton FL 33431		Staffing	587,563
Medical College of WI 8701 Watertown Plank Milwaukee WI 53206		Physicians & Medical	6,176,730
Critical Care Solutions N74W12501 Leatherwood Ct Menomonee Falls WI 53051		Virtual ICU	345,518
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 ▶14		

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f				
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	0			
Program Service Revenue	Business Code					
	2a	Outpatient Revenue 900099	62,947,016	62,947,016		
	b	Inpatient Revenue 900099	103,167,715	103,167,715		
	c	Emergency/Trauma Revenue 900099	12,157,721	12,157,721		
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f	178,272,452			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	4,684,752	1,442,436		3,242,316
	4	Income from investment of tax-exempt bond proceeds	10,232			10,232
	5	Royalties	0			
	6a	(i) Real				
		(ii) Personal				
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss)	0			
	7a	(i) Securities				
		(ii) Other				
		63,774,918 3,258				
	b	Less cost or other basis and sales expenses	61,885,433 125,885			
	c	Gain or (loss)	1,889,485 -122,627			
	d	Net gain or (loss)	1,766,858			1,766,858
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18				
	a	99,203				
	b	Less direct expenses b	53,669			
	c	Net income or (loss) from fundraising events	45,534			45,534
	9a	Gross income from gaming activities See Part IV, line 19				
	a					
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances				
	a					
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory	0			
	Miscellaneous Revenue		Business Code			
	11a	Other Dept Operating Rev 561499	3,709,677	3,709,677		
	b	Corporate Allocated Rev 561000	3,556,243	3,556,243		
	c	Claims & Settlements 900099	1,725,000	1,725,000		
	d	All other revenue	1,118,620			1,118,620
	e	Total. Add lines 11a-11d	10,109,540			
	12	Total revenue. See Instructions	194,889,368	188,705,808		6,183,560

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).

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.	49,964	49,964		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	724,227		724,227	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	62,067,835	58,030,153	3,875,712	161,970
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	0			
9	Other employee benefits.	119,539	110,645	8,583	311
10	Payroll taxes.	4,361,983	4,037,452	313,190	11,341
11	Fees for services (non-employees):				
a	Management.	293,700	293,700		
b	Legal.	-264,512	-393,373	128,861	
c	Accounting.	0			
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	11,155,858	9,488,273	1,667,585	
12	Advertising and promotion.	91,882	2,199	89,683	
13	Office expenses.	1,319,341	478,606	831,851	8,884
14	Information technology.	492,783	136,997	355,746	40
15	Royalties.	0			
16	Occupancy.	3,536,417	2,903,820	627,356	5,241
17	Travel.	89,493	41,142	48,125	226
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	148,900	122,900	25,700	300
20	Interest.	2,397,435	1,968,580	425,302	3,553
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	7,852,615	6,447,934	1,393,044	11,637
23	Insurance.	7,477	7,477		
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.):				
a	Miscellaneous.	3,779,138	3,620,326	157,250	1,562
b	State Hospital Assessment.	5,293,260	5,293,260		
c	Medical Supplies.	32,782,342	32,635,966	142,989	3,387
d	Corporate Allocated Expense.	40,898,592	17,660,006	23,204,803	33,783
e	All other expenses.	0			
25	Total functional expenses. Add lines 1 through 24e.	177,198,269	142,936,027	34,020,007	242,235
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		7,295	1	7,125
	2	Savings and temporary cash investments		21,754,257	2	26,309,775
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		24,095,637	4	22,202,533
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net		20,000	7	20,000
	8	Inventories for sale or use		4,149,959	8	3,877,301
	9	Prepaid expenses and deferred charges		2,126,284	9	1,630,172
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 181,038,606			
	b	Less accumulated depreciation	10b 95,737,925	81,377,017	10c	85,300,681
	11	Investments—publicly traded securities		124,482,090	11	127,899,248
	12	Investments—other securities See Part IV, line 11			12	0
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11		50,278,063	15	54,477,096
	16	Total assets. Add lines 1 through 15 (must equal line 34)		308,290,602	16	321,723,931
Liabilities	17	Accounts payable and accrued expenses		8,803,747	17	10,485,948
	18	Grants payable			18	
	19	Deferred revenue		5,940	19	4,199
	20	Tax-exempt bond liabilities		63,386,192	20	55,729,972
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		97,825,874	25	69,681,506
	26	Total liabilities. Add lines 17 through 25		170,021,753	26	135,901,625
Net Assets or Fund Balances		Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.				
	27	Unrestricted net assets		137,302,778	27	184,547,067
	28	Temporarily restricted net assets		966,071	28	1,275,239
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), 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		138,268,849	33	185,822,306
	34	Total liabilities and net assets/fund balances		308,290,602	34	321,723,931

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	194,889,368
2	Total expenses (must equal Part IX, column (A), line 25)	2	177,198,269
3	Revenue less expenses Subtract line 2 from line 1	3	17,691,099
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	138,268,849
5	Net unrealized gains (losses) on investments	5	8,246,910
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	21,615,448
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	185,822,306

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

Additional Data

Software ID: 12000229

Software Version: 2012v2.0

EIN: 39-0987025

Name: Community Memorial Hospital of Menomonee Falls Inc

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
Stadelmann Douglas J Dir&Secretary	1 00 0 00	X		X				0	0	0
Pollard Dennis Dir&President	1 00 46 00	X		X				0	553,415	111,706
Pieters Robert B Dir&Chair	1 00 1 00	X		X				0	0	0
Bast Ronald R Dir&Vice Chair	1 00 2 00	X		X				0	0	0
White MD Michael G Director	1 00 0 00	X						0	0	0
Turtenwald Robyn Director	1 00 0 00	X						0	0	0
Templin Susan Director	1 00 1 00	X						0	0	0
Specht-Palmert Christine Director	1 00 0 00	X						0	0	0
Shepherd MD Dennis W Executive Dir	1 00 0 00	X						0	0	0
Nelson Eric Director	1 00 0 00	X						0	0	0
Mays Cedric Director	1 00 0 00	X						0	0	0
Lux Theresa M Dir,VP Pt Care	50 00 1 00	X						247,668	0	39,985
Jacobson Catherine A Dir,FH Pres/CEO	1 00 50 00	X						0	1,001,826	179,860
Hart Daniel Dir/Treasurer	1 00 1 00	X						0	0	0
Hackett MD James G Director	1 00 0 00	X						0	0	0
Goldberg MD David F Dir,VP Med Afrs	50 00 0 00	X						346,084	0	66,474
Fitzgerald Mark Director	1 00 0 00	X						0	0	0
Ellis Sharon Q Director	1 00 1 00	X						0	0	0
Borden Susan Director	1 00 0 00	X						0	0	0
Becker Richard C Director	1 00 1 00	X						0	0	0
Aggarwal Anil MD Director	1 00 0 00	X						0	0	0
Knoll Thomas Treasurer	1 00 41 00			X				0	152,361	35,101
Van De Kreeke Jeffrey FH CFO	1 00 50 00			X				0	428,725	85,514
Hawig Scott FH CFO	1 00 50 00			X				0	229,597	10,354
Ehn Diane VP Qlty & Perf Exc	40 00 0 00					X		162,789	0	37,694

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
Evenson Rock E VP Pln & Prg Dvlp	50 00 0 00					X		209,370	0	52,682
Freiberg Kerry J VP Extrl Affairs	50 00 1 00					X		206,356	0	40,598
McClure Debra Nurse Anesthetist	50 00 0 00					X		273,137	0	18,052
Sanders Paul A Sr VP, Clncl Svcs	50 00 0 00					X		304,710	0	36,109
Unger Michael Former - Officer (VP)	0 00 40 00						X	0	240,775	16,131

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

2012

Open to Public Inspection

Name of the organization Community Memorial Hospital of Menomonee Falls Inc	Employer identification number 39-0987025
--	--

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 described in **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 33¹/₃% 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 33¹/₃% 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 - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)
- | | Yes | No |
|----------|-----|----|
| 11g(i) | | |
| 11g(ii) | | |
| 11g(iii) | | |
- | (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? | | (v) Did you notify the organization in col (i) of your support? | | (vi) Is the organization in col (i) organized in the U S ? | | (vii) Amount of monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II

Support Schedule for Organizations Described in Sections 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
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 2012 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2011 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. 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 IIISupport Schedule for Organizations Described in Section 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15		
16 Public support percentage from 2011 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17		
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization

Community Memorial Hospital of Menomonee Falls Inc

Employer identification number

39-0987025

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 can 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 education)

☐ Preservation of an historically important land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

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

Cat No 52283D

Schedule D (Form 990) 2012

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

3

Using the organization's acquisition, 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 XIII

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 XIII and complete the following table

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
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 XIII. Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	4,688,829	4,674,956	4,094,065	3,166,213	3,670,185
b Contributions	379,734	265,167	1,398,548	904,863	484,004
c Net investment earnings, gains, and losses	440,545	80,003	623,704	384,524	-466,270
d Grants or scholarships	397,266	321,940	374,633	304,571	353,150
e Other expenditures for facilities and programs	6,595	9,357	1,066,388	56,965	168,686
f Administrative expenses			340	-1	-130
g End of year balance	5,105,247	4,688,829	4,674,956	4,094,065	3,166,213

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

100 000 %

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i) unrelated organizations

3a(i)

Yes

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 XIII 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		80,711		80,711
b Buildings		102,365,113	44,055,728	58,309,385
c Leasehold improvements		1,987,540	1,686,077	301,463
d Equipment		34,208,216	24,067,118	10,141,098
e Other		42,397,026	25,929,002	16,468,024
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				85,300,681

Part XI 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 XIII)	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 XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	

Part XII 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 XIII)	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 XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	

Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
Part X	Part X FIN48 Footnote	Froedtert Health, Inc. (FH) applies ASC No. 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC No. 740 prescribes a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC No. 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2013 and 2012, FH does not have an asset or liability recorded for unrecognized tax positions.
Part V, Line 4	Part V, Line 4 Intended uses of the endowment fund	The funds are held by Community Memorial Foundation of Menomonee Falls (CMF), a related organization. The board designated endowment was created to support long range financial needs of Community Memorial Hospital of Menomonee Falls, Inc. and its programs.

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

Revenue			(a) Event #1	(b) Event #2	(c) Other events	(d) Total events	
			<u>Cheery Cherry Fall Fair</u>	<u>Otis Spunkmeyer Cookies</u>	<u>2</u>	(add col (a) through col (c))	
			(event type)	(event type)	(total number)		
1	Gross receipts	. . .	40,517	35,045	19,706	95,268	
2	Less Contributions	. .					
3	Gross income (line 1 minus line 2)	. . .	40,517	35,045	19,706	95,268	
Direct Expenses	4	Cash prizes	. . .				
	5	Noncash prizes	. .				
	6	Rent/facility costs	. .	4,855		4,855	
	7	Food and beverages	.	2,892	13,541	5,026	21,459
	8	Entertainment	. . .	450		450	
	9	Other direct expenses	.	10,154		9,725	19,879
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶					(46,643)
	11	Net income summary Combine line 3, column (d), and line 10 ▶					48,625

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

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

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

a Is the organization licensed to operate gaming activities in each of these states?

☐ Yes ☐ No

b If "No," explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year?

☐ Yes ☐ No

b If "Yes," explain _____

Does the organization operate gaming activities with nonmembers? ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

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

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

Name 

Address 

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No

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

c If "Yes," enter name and address of the third party

Name 

Address 

16 Gaming manager information

Name 

Gaming manager compensation  \$

Description of services provided 

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No

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

Part IV Supplemental Information. Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

Identifier	Return Reference	Explanation
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1)			1,360,676		1,360,676	0 770 %
b Medicaid (from Worksheet 3, column a)			13,775,472	6,009,737	7,765,735	4 380 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			15,136,148	6,009,737	9,126,411	5 150 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	46	9,724	1,457,740	15,084	1,442,656	0 810 %
f Health professions education (from Worksheet 5)	4	535	598,621		598,621	0 340 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	15	2,131	284,068		284,068	0 160 %
j Total. Other Benefits	65	12,390	2,340,429	15,084	2,325,345	1 310 %
k Total. Add lines 7d and 7j	65	12,390	17,476,577	6,024,821	11,451,756	6 460 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development	1	3,076		3,076	
3	Community support	2	10,587		10,587	0 010 %
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building	2	1,440	30,877	30,877	0 020 %
7	Community health improvement advocacy	1	11,546		11,546	0 010 %
8	Workforce development	4	178	133,932	133,932	0 080 %
9	Other					
10	Total	10	1,618	190,018	190,018	0 120 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

No

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

8,577,230

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

66,262,771

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

80,093,808

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-13,831,037

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

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

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	Community Memorial Hospital W180 N8085 Town Hall Road Menomonee Falls, WI 53051	X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes	
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 the community health 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 CHNA 20 <u>12</u>			
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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	Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes	
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 CHNA, indicate how (check all that apply to date)			
a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b ☒ Execution of the implementation strategy			
c ☒ Participation in the development of a community-wide plan			
d ☒ Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		No
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9 Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		10 Yes	
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		11 Yes	
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12 Yes	
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)			
13 Explained the method for applying for financial assistance?		13 Yes	
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14 Yes	
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to 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 on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?		15 Yes	
16 Check all of the following 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			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals 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)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ 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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 its 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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
	Part VI - Additional Information	Community Benefit Data is reported annually to the Wisconsin Hospital Association
	Part V - Explanation of Number of Facility Type	Community Memorial Hospital is the only facility listed under this reporting of the IRS Form 990, Schedule H

Identifier	ReturnReference	Explanation
	Part VI - States Where Community Benefit Report Filed	WI
	Part VI - Affiliated Health Care System Roles and Promotion	Affiliated Health SystemFroedtert & the Medical College of Wisconsin Community Memorial Hospital, founded in 1964 by the citizens of Menomonee Falls and surrounding communities, is a full-service hospital that specializes in cancer care, heart and vascular care, orthopaedics, womens health and advanced surgical procedures Community Memorial Hospital is part of the Froedtert & the Medical College of Wisconsin health care network, which also includes Froedtert Memorial Lutheran Hospital, Milwaukee, St Josephs Community Hospital of West Bend, and more than 30 primary and specialty care health centers and clinics For more information about Froedtert Health, visit www.froedterthealth.org Promotion of Community HealthThe Community Outreach Steering Committee (COSC) which is a subcommittee of the hospitals Board of Directors actualizes the mission of Community Memorial Hospital (CMH) through community benefit activities that improve the quality of life and enhance wellness resources which meet identified comprehensive health needs of the communities served The Community Outreach Steering Committee is appointed annually by the hospital president and is advisory to the CMH Board and Administration Membership appointments are made each June with members serving one year terms The COSC meets quarterly and is composed of hospital and board representatives plus community members representing the various constituencies of the total service area Functions include Provide a leadership role in advocating community wide responses to health care needs in the community Facilitate and support community and health care partnerships Envision, assess and guide new community benefit opportunities Identify and describe unmet health needs Promote universal access to health care Determine allocation of the Community Outreach Services Fund which awards \$50,000 annually towards area non-profits efforts to improve health disparities focused on Access to Care, Mental Health/AODA, Chronic Disease Management and Prevention and Wellness in the communities CMH serves Community Memorial Hospital has an open Medical Staff with the exception of some departments having contracted exclusivity services As a not-for-profit health system, Froedtert Health reinvests its surplus funds back into the community through programs to serve the poor and uninsured, teach future healthcare professionals, develop new medical therapies, manage chronic conditions like diabetes, health education and promotion initiatives, and participate in local partnerships aimed at reducing health disparities In Fiscal year 2013, Froedtert Memorial Lutheran Hospital, Community Memorial Hospital of Menomonee Falls and St Josephs Community Hospital of West Bend made significant investments in the health of their communities Patients who couldnt pay for their medical care received more than \$80.3 million in uncompensated services Beyond providing care for the poor, we contributed \$74.5 million to improve access to care, teach future healthcare professionals, develop new medical therapies and participate in local partnerships aimed at reducing health disparities Addressing Needs Through Targeted Outreach Community Memorial Hospital develops and executes community outreach programming and activities based on identified community health needs Since 1990, CMH conducts needs assessments every three years in order to determine priorities and strategies in addressing community health disparities Every needs assessment cycle, CMH Community Outreach staff along with the hospitals Community Outreach Steering Committee develops a community health improvement plan which is incorporated into the hospitals overall strategic plan to address the most critical needs in the communities we serve The plan is reviewed annually by the Community Outreach Steering Committee CMH Community Outreach staff, leaders and external community partners work collaboratively to develop key goals and strategies to address community health needs Progress towards community outreach programs/activities and goals are reported quarterly through the Community Outreach Steering Committee and the Board of Directors Based on the results from the 2012 Community Health Needs Assessment, programs and activities are focused around the following identified health needs - Access to Primary and Specialty Care - AODA - Chronic Disease Management - Prevention and WellnessFor more information on specific community outreach efforts, please refer to the 2013 Community Benefit Report by going to www.froedterthealth.org/community-memorial-benefit-report

Identifier	ReturnReference	Explanation
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	Community Memorial Hospital provides healthy community initiatives that support the community. These initiatives include but are not limited to the following: Drug Collection: As part of our commitment to improve the quality of life in our community, Community Memorial Hospital partnered with Waukesha County Drug Free Communities Coalition to host five drug collections since October 2009. At the collections, area residents dropped off over 4,000 pounds of prescription and over-the-counter medications. Close to 3,000 area households participated in the collections. This year alone it took over 35 staff close to 300 hours to make the collections possible. Flu Clinics: Community Memorial Hospital offers flu clinics for the public as part of its commitment to keep the community healthy. During the fall of FY13, 93 people were immunized at four locations with a community benefit value of over \$4,000. Each of the clinics was staffed by hospital pharmacists who were certified by the state to give immunizations. Every 15 Minutes: Speeding, recklessness and drug or alcohol use are common risk factors among children and teens killed in motor vehicle and transport crashes, according to the Wisconsin Child Death Review Council. Changes in behavior can help prevent death and injury from vehicle crashes, one of the top five causes of preventable death in Wisconsin children. To drive home a powerful message about the consequences of drinking and driving and to help prevent death from drunk driving crashes, Community Memorial Hospital collaborates with the Germantown Police Department and Germantown High School in the Every 15 Minutes program. The program involves not only a mock crash but multiple scenarios that are videotaped by high school students and presented at a moving and emotional assembly at school the next day. The hospital has been part of the Every 15 Minutes program since 2010, as the receiving hospital for mock crash victims arriving by local EMS ambulance and Flight for Life. The Emergency Care Center provides staffing to treat the mock victims in a realistic way. Physicians, nurses, EMTs, technicians and other staff are involved. Hospital staff are also involved in the planning and communications. In a safe and caring way, the program confronts high school students with the real-life consequences of drunk driving and has been positively received by students and community. Athletic Trainer: When athletes at Menomonee Falls and Germantown High Schools prepare to compete, there is a Certified Athletic Trainer with them every step of the way. This service is provided by experienced athletic trainers from Community Memorial Hospital. The trainers work at the school each day, working evenings as well as Saturdays to provide training room, practice and event coverage. They prepare the athlete for their activities, which might include stretching, taping and treatment as needed. During FY13, 1000 students were served at the two high schools with a community benefit value of over \$105,000. United Way Employee Giving Campaign: Community Memorial Hospital collaborates with United Way of Waukesha County to address community needs in the areas of meeting basic needs, developing self-reliance, strengthening communities, and community support. Community Memorial Hospital hosts an annual workplace giving campaign to support all local United Ways. Over 200 hours were spent coordinating the FY13 campaign. In addition to an employee campaign, Community Memorial Hospital matches donations up to \$10,000. Community Health & Wellness Initiative: Community Garden. Community Memorial Hospitals on-campus garden is providing produce to members of the local community who may not readily have access to fresh vegetables. A community health survey conducted by the hospital in 2012 identified a need for affordable and healthy nutrition options for people who use Community Outreach Health Clinic and clients of area food pantries. The garden project is a great way to help those who have chronic conditions access nutritious vegetables through the hospital's community partners. This fall's harvest, which included tomatoes, cucumbers, zucchini, peppers and beans, was distributed directly to patients who use the outreach clinic and Sussex, Germantown and Menomonee Falls food pantry clients. Over 1,300 pounds of produce was donated this season. Community Outreach Health Clinic: The Community Outreach Health Clinic is a facility where uninsured populations at or below 185% federal poverty level can seek free medical care. The clinic serves people who do not have medical insurance or the ability to pay for medical care. The clinic provides quality, limited medical care with dignity and confidentiality using the services of volunteer professional staff. In FY 13, the clinic served 2,300 individuals. Community Health Screenings: Community Memorial Hospital offers free blood pressure, skin cancer and sports injury screenings. With the goal to empower people and the community to make better decisions and take actions to improve and maintain their health, our community health screenings provide much needed access to services for many of our community members. In Fiscal Year 2013, Community Memorial Hospital conducted health screenings for 279 people. Bobbie Nick Voss Colonoscopy Program: Community Memorial Hospital has partnered with Bobbie Nick Voss Charitable Funds since 2008 to provide free colonoscopies to patients (age 50 and above) in the Community Outreach Health Clinic that show signs or symptoms of colorectal related health conditions. In fiscal year 2013, 21 patients received a colonoscopy at no cost. Leadership Quality Indicator: As an indication of the Community Memorial executive teams commitment to the community, 75 hospital leaders provided more than 1,000 hours of support to local initiatives, not-for-profit organizations and community events. Subsidized Transportation Program: The Subsidized Medical Transportation Program at Community Memorial Hospital provides transportation to and from the hospital service locations for eligible persons (200% federal poverty level or below) who have difficulty arranging their own transportation and lack the financial resources to purchase transportation. In 2013, Community Memorial Hospital provided 826 subsidized rides to 444 people who needed transportation to receive their health care. Community Outreach Steering Committee Grants: Community Memorial Hospitals commitment includes grants to local not-for-profit organizations that support community health improvement efforts focused on access to primary care, chronic disease management, mental health and prevention and wellness in the hospitals service area. In 2013, nine local non-profit organizations received grants totaling \$49,964 from the Community Outreach Steering Committee. Health Care Career Academy: The Healthcare Career Academy provides qualified students entering their junior or senior year at Menomonee Falls High School, Germantown High School and Sussex Hamilton High School with the opportunity to expand their knowledge base as it relates to a wide array of professional healthcare career options. The three-week program allows students to shadow and learn from professionals in various clinical and ancillary departments throughout the hospital. Through observation, hands-on experience and classroom discussion, students are able to expand their awareness and interest in healthcare careers. During FY13, 24 students participated in the program with a community benefit value of over \$74,000. For more information on CMH Community Benefit programs, please visit www.froedterthealth.org.
	Part VI - Community Building Activities	To promote the health of our communities, Community Memorial Hospital participates in community building activities which are not included elsewhere on Schedule H. These activities include: Economic Development: participation in local chamber of commerce boards focused on economic development to improve the local economy and local job opportunities. Community Support: participation in local emergency preparedness and youth focused coalitions to improve the communities ability to respond to an emergency and to improve the community environment for youth to set them up for greater success. Coalition Building: participation in local community groups and coordination of fundraising for the local United Way Agencies to support others that are addressing health issues that's out of our scope. Community Health Improvement Advocacy: participation in creating the community health improvement plan with the local health departments to increase collaborative work in our communities. Workforce Development: diversity training that recruits health professionals in our traditionally underserved communities to diversify our workforce population to better serve our communities.

Identifier	ReturnReference	Explanation
	Part VI - Community Information	Since its founding in 1964 by the citizens of the community it serves, Community Memorial Hospital (CMH) has focused on the emerging healthcare and wellness needs of over 400,000 people in the three county region of Waukesha, Washington, and northwest Milwaukee Counties. The area served is generally suburban with an average income of \$50,000-\$99,999 and a large population on Medicare. There are three additional hospitals (ProHealth Care, Wheaton Franciscan, & Aurora) and one FQCH (Waukesha Community Health Center) serving the community.
	Part VI - Patient Education of Eligibility for Assistance	Community Memorial Hospital informs and educates patients regarding financial assistance and government program eligibility in a number of ways. Its communication efforts also address special needs of patients and their families, such as hearing or visual impairment or language interpretation. Information on hospital-based financial support policies and government programs are made available to patients during the pre-registration and registration processes through brochures, signage and direct contact with financial counselors, social workers / case managers and registration staff. Patient billing statements also inform patients that financial assistance is available. The Community Memorial Hospital website contains information regarding pricing, how to understand your hospital bill, and how to apply for Financial Assistance. Community Memorial Hospital has made financial assistance forms and information available in Spanish. Financial counselors screen uninsured patients for government program eligibility and social services staff are available to assist patients with enrollment processes. Patients who are uninsured, those covered by government programs and those with limited financial means may also be eligible for charity care or discounts through the Hospital's financial assistance program. Financial counselors make every effort to determine a patient's eligibility prior to or at the time of admission or service. However, determination for financial assistance can be made during any stage of the patient's stay after stabilization, or the collection cycle.

Identifier	ReturnReference	Explanation
	Part VI - Needs Assessment	In February, 2012 Community Memorial Hospital collaborated with JKV Research, LLC along with Aurora Health Care, Childrens Hospital of Wisconsin, Columbia St Marys Health System, ProHealth Care, Wheaton Franciscan Healthcare, Washington County Health Department and Waukesha County Health Department to conduct a Community Health Needs Assessment (CHNA) in Washington and Waukesha Counties The research from the needs assessment provides valuable behavioral data, lifestyle habits, and the prevalence of risk factors and disease conditions of Waukesha County residents CHNA Overview/Objectives - o Gather data on behavioral and lifestyle habits of the adult population and household-level data - o Gather data on the prevalence of risk factors and disease conditions of the adult population - o Compare health data of residents to previous health studies - o Compare health data to national and state measurements CHNA Methodology - o 18 minute telephone survey of area residents - o 400 completions from February 21 through April 3, 2012 - o Two-fold sampling 1) RDD landline sample of listed & unlisted #s (n=300) - o Respondents randomly selected based on number of adults in household - o Weighting based on number of adults and number of residential phone numbers in household 2) Cell phone only sample (n=100) - o Adult answering the phone designated as the respondent - o All data post-stratified by age and gender of adult residents as of 2010 Census proportions - o Margin of error 5% In addition to the Washington/Waukesha County Community Health Needs Assessments, Community Memorial Hospital conducted key informant interviews with 35 individuals representing school district representatives, public health officials, non-profit health and human service professionals, churches, police/fire departments, free clinics and business professionals throughout Waukesha and Washington Counties Following extensive interviews with key community stakeholders, findings from the assessment were categorized into eight areas Access to Primary and Specialty Care, Chronic Disease Management, Mental Health Services, Prevention and Wellness, Alcohol, Drug, Tobacco, Abuse, Dental Services, Transportation and Other Of those eight health needs categories, four were identified as the focus for community outreach activities in 2012 through 2016 based on select criteria Community Health Priorities, Disproportionate Unmet Needs, Public Health Concerns and Scope of Services The most critically documented health needs were identified - Access to Primary and Specialty Care - AODA - Prevention and Wellness - Chronic Disease Management Waukesha County Health Department Community Health Improvement Plan 2012-2016 In April 2011, Community Memorial Hospital Community Engagement Staff participated in the Waukesha County Public Health Departments Community Health Improvement Planning Process (CHIPP) The CHIPP consists of a steering committee representing all health systems in Waukesha County as well as representation from area non-profit health and human service agencies The steering committees role is to determine the top health priorities in the county and create an implementation plan to address community and health needs for Waukesha County Public Health Department to execute in 2012 - 2016 Through the work of the CHIPP Steering Committee, the following priorities have been determined - Access to Care - Mental Health - AODA
Number of Hospital Facility - 1	Part V, Line 12h - Other Factors Used in Determining Amounts Charged Patients	Out of Pocket Maximum Discount

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 1	Part V , Line 7 - Explanation of Needs Not Addressed and Reasons Why	Community Memorial Hospitals community health improvement initiatives are targeted for the broad community, especially vulnerable populations (uninsured/underinsured) in the hospitals primary and secondary service areas Community Memorial Hospitals mission is to advance the health of the communities we serve through exceptional care enhanced by innovation and discovery The Community Outreach Steering Committee prioritized community health improvement programs, activities and services that reflect the hospitals mission and scope of care Access to Primary and Specialty Care, AODA, Chronic Disease Management and Health focused Prevention and Wellness programs The following needs are not being addressed by Community Memorial Hospital 1 Oral and Dental Health ServicesExplanation We do not have the dedicated resources There are other local organizations dedicated to improve access to dental care 2 Teen PregnancyExplanation United Way, Public Health, Safe Babies Healthy Families, the Hope Network and a number of other community organizations are working on this health issue 3 Health Literacy and NavigationExplanation Other community organizations are working to increase awareness of health services and health seeking behaviors among low income individuals 4 Cigarette UseExplanation We support the Multi-Jurisdictional Coalitions of Tobacco Free Community Partnership Dodge Jefferson Waukesha County and Washington County 5 Mental HealthExplanation We do not have the dedicated resources There are other local health and human service agencies and organizations dedicated to this issue
Number of Hospital Faciltiy - 1	Part V , Line 61 - Describe Other Needs Identified	Effective December 14, 2012 Community Memorial Hospital adopted a Community Health Improvement Plan OverviewThis Implementation Strategy serves as the community health improvement component of Community Memorial Hospitals community benefit strategy, focusing on Access to Primary/Specialty Care, Chronic Disease Management, Alcohol and Other Drug Abuse and Prevention/Wellness Community Memorial Hospitals community benefit framework is to improve the quality of life in the communities we serve through health care programs and services that are measurable, accessible, and culturally appropriate Community Outreach Steering CommitteeThe Community Outreach Steering Committee (COSC) which is a subcommittee of the hospitals Board of Directors actualizes the mission of Community Memorial Hospital (CMH) through community benefit activities that improve the quality of life and enhance wellness resources which meet identified comprehensive health needs of the communities served The Community Outreach Steering Committee is appointed annually by the hospital president and is advisory to the CMH Board and Administration Membership appointments are made each June with members serving one year terms The COSC meets quarterly and is composed of hospital and board representatives plus community members representing the various constituencies of the total service area Functions include Provide a leadership role in advocating community wide responses to health care needs in the community Facilitate and support community and health care partnerships Envision, assess and guide new community benefit opportunities Identify and describe unmet health needs Promote universal access to health care Determine allocation of the Community Outreach Services Fund which awards \$50,000 annually towards area non-profits efforts to improve health disparities focused on Access to Care, Mental AODA, Chronic Disease Management and Prevention and Wellness in the communities CMH serves Community DemographicsCommunity Memorial Hospital develops its health improvement strategies and programs to meet the needs of the communities it serves Community Memorial Hospitals total service area map reflects the 29 zip codes within the Milwaukee five-county area Age The CMH Total service area has a comparable age distribution as the Milwaukee five-county area The percentage of 35-44, critical ages when people begin getting routine screenings, is 12 75% in the CMH Total service area and slightly higher at 13 28% in the five-county area Race/Ethnicity Similar to the age distribution, the racial distribution of the CMH Total service area is comparable to the five-county area with a Caucasian majority Payer Mix 17 6% of the patients in the CMH Total service area are Medicaid or Self Pay (uninsured) patients, compared to 21 5% in the five-county area Household Income 59 50% of the CMH Total service area earn more than \$50,000 annually whereas in the five-county area, only 52 07% of the population earns \$50,000 or more Community Health Needs AssessmentFroedtert Health is a member of the Milwaukee Health Care Partnership www.mkehcp.org, a public private consortium dedicated to improving care for underserved populations in Milwaukee County Through the Partnership, Milwaukee's five health systems and the Washington County and Washington County Health Departments aligned resources to complete a shared community health needs assessment (CHNA) in 2012 Supported by additional analysis from the Center for Urban Population Health, this robust community-wide CHNA includes findings from a community health survey of over 800 adults, significant key informant interviews and a secondary source data analysis This shared CHNA serves as the foundation for Community Memorial Hospitals implementation strategy to improve health outcomes and reduce disparities in Washington and Waukesha Counties The CHNA summary and full reports can be found on Community Memorial Hospitals website Washington County CHNA Executive SummaryWashington County CHNA Community Health SurveyWaukesha County CHNA Executive SummaryWaukesha County CHNA Community Health SurveyIdentified Community Health Needs in Washington and Waukesha Counties- Access to Health Care Services includes behavioral, oral health and prenatal services- Health Insurance Coverage- Mental Health includes Alcohol and Other Drug Abuse (AODA)- Obesity, Nutrition and Physical Activity- Chronic Disease- Sexual Health includes sexually transmitted infections and teen pregnancy- Health Literacy and NavigationCommunity Memorial Hospitals Implementation Strategy Prioritiesreflect Community Memorial Hospitals clinical strengths and community partnerships The CHNA identified priorities of Access to Primary/Specialty Care, AODA, Chronic Disease Management, Prevention and Wellness and Health Care Coverage as focus areas for its Implementation Strategy Implementation Strategy EvaluationCommunity Memorial Hospital and its Community Outreach Steering Committee regularly monitors and reports on progress towards the Implementation Strategy objectives Those reports will include, but are not limited to access metrics regarding primary, specialty and preventive services, participation rates and qualitative data for individuals engaging in wellness and disease management programs, and, improvement in clinical health indicators associated with chronic disease management initiatives

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 1	Part V, Line 5c - Description of Making Needs Assessment Widely Available	The full version of the report and other supporting documents can be found on Froedtert Health's website Waukesha County - http://www.froedterthealth.org/upload/docs/community-memorial/community-giving/Benefit/waukesha-county-community-health-survey-report.pdf Washington County - http://www.froedterthealth.org/upload/docs/community-memorial/community-giving/Benefit/washington-county-community-health-survey-report.pdf Additional Websites Washington County Public Health Department - http://www.co.washington.wi.us/uploads/docs/washington-county-community-health-survey-report-march-2012.pdf Waukesha County Public Health Department http://www.waukesha-county.gov/uploadedFiles/Media/PDF/Health_and_Human_Services/Public_Health/2012%20Community%20Health%20Survey%20Report.pdf
Number of Hospital Facility - 1	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	Washington County Health Needs Assessment Collaboration JKV ResearchFroedtert Health Froedtert Health Community Memorial HospitalAurora Health CareColumbia St Marys Health SystemChildrens Hospital of WisconsinWashington County Public Health DepartmentWaukesha County Health Needs Assessment Collaboration JKV ResearchFroedtert Health Froedtert Health Community Memorial HospitalAurora Health CareColumbia St Marys Health SystemProHealth CareWheaton Franciscan HealthcareWaukesha County Public Health DepartmentJKV Research was hired by the participating Health Care Systems and Health Departments to lead the CHNA process for Waukesha, Washington and Milwaukee Counties The total cost of each CHNA conducted was divided up by each of the participating health systems and health departments Each health system and health department was assigned to conduct key informant interviews within their service area

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 1	Part V, Line 3 - Account Input from Person Who Represent the Community	In fiscal year 2012, Community Memorial Hospitals Community Outreach Department and Community Outreach Steering Committee conducted key informant interviews with the following non-profit health and human service agencies: Addiction Resource Council of Waukesha County, Albrecht Free Clinic, Community Outreach Health Clinic at Community Memorial Hospital, Falls Area Community Services, Germantown Area Chamber of Commerce, Village of Germantown Fire Department, Germantown Police Department, Germantown Park & Recreation Department and Recreation, Germantown School District, Gloria Dei Lutheran Church, Hartford Jt 1 School District, Hartford Parks and Recreation Department, Hope Network Inc, Interfaith Caregivers of Washington County, Interfaith Senior Programs, Waukesha County, Menomonee Falls Chamber of Commerce, Menomonee Falls Community Education & Recreation Department, Menomonee Falls Fire Department, Menomonee Falls Police Department, Menomonee Falls School District, Safe Babies Healthy Families Inc, St Boniface Food Pantry, St Pauls United Church of Christ, Stillwaters Cancer Support Services, Sussex Area Chamber of Commerce, Sussex Area Outreach Services, Sussex Hamilton School District, Tri-County YMCA in Menomonee Falls, University of Wisconsin Extension, Washington County, Washington County Mental Health Department, Washington County Public Health Department, Waukesha County Community Dental Clinic, Waukesha County Mental Health Department, Waukesha County Public Health Department.
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	In alignment with the Froedtert Health financial assistance policy regarding the billing, collection and support for patients with payment obligations, Community Memorial Hospital makes every effort to adhere to the policy and is committed to implementing and applying the policy for assisting patients with limited means in a professional, consistent manner. Staff members who work closely with patients (including those working in patient registration and admitting, financial assistance, customer service, billing and collections) are trained regularly about these policies with an emphasis on treating all patients with dignity and respect regardless of their insurance or their ability to pay for services.

Identifier	ReturnReference	Explanation
	Part III, Line 8 - Explanation Of Shortfall As Community Benefit	Community Memorial Hospital believes that all of the shortfall should be considered as community benefit. The IRS Community Benefit Standard includes the provision of care to the elderly and Medicare patients. Medicare shortfalls must be absorbed by the hospital in order to continue treating the elderly in our community. The hospital provides care regardless of this shortfall and thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries. The costing methodology used to determine the Medicare allowable costs is based on a calculation developed by the American Hospital Association in which the data is derived from the annual filed Medicare cost report.
	Part III, Line 4 - Bad Debt Expense	Patients accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of patients accounts receivable, Froedtert Health, Inc. (FH) analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, FH analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), FH records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. FH recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, FH recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of FH's uninsured patients will be unable or unwilling to pay for the services provided. Thus, FH records a significant provision for bad debts related to uninsured patients in the period the services are provided. See also page 26 and 27 of attached financial statements.

Identifier	ReturnReference	Explanation
	Part III, Line 2 - Methodology Used To Estimate Bad Debt Expense	The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions and trends. The ratio of patient care cost to charges is applied to the bad debt attributable to patient accounts to calculate the estimated cost of bad debt attributable to patient accounts that is reported on line 2. Discounts and payments on patient accounts are recorded as an adjustment to revenue, not bad debt expense.
	Part I, Line 7, Column F - Explanation of Bad Debt Expense	Our total expense from Form 990, Part IX, line 25, column (A) was \$177,198,269. Bad debt expense is included in Form 990, Part VIII, Statement of Revenue, Lines 2a-2c as required by ASU 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. Therefore, bad debt expense is not included on Form 990, Part IX, Statement of Functional Expenses, Line 25, Column (A).

Identifier	ReturnReference	Explanation
	Part I, Line 7 - Explanation of Costing Methodology	Charity Care and certain other community benefits costs were determined by using internal information to reduce the various activities to cost. The costing methodology follows what is laid out in the instructions from the IRS.
	Part I, Line 6a - Related Organization Community Benefit Report	Every year, Community Memorial Hospital produces an annual community benefit report highlighting community outreach programs, patient impact stories and investments in the communities we serve. The report is mailed to over 500 area non-profits, chambers of commerce, CMH Board of Directors, CMH leaders and staff, government officials, business leaders and other community members. A copy of the report can be found at Froedterthealth.org .

**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

2012

Open to Public Inspection

Name of the organization
Community Memorial Hospital of Menomonee
Falls Inc

Employer identification number
39-0987025

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. Part II can be duplicated if additional space is needed.

[illegible]

- | | | |
|----------|---|---|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table | 9 |
| 3 | Enter total number of other organizations listed in the line 1 table | 0 |

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

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

Part IV

Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
Grantmaker's Description of How Grants are Used		Organizations submit grant requests to the Community Outreach Steering Committee (the Committee) On a quarterly basis the fund allocations are determined Each organization selected for funds receives an award letter detailing the expectations and conditions of the grant money In order to comply with applicable tax laws, regulations and the Community Outreach Services Fund policy, the Community Outreach Services Fund will provide grant support to organizations with the understanding that 1) Grant funds distributed will be used only for the purposes designated in the award letter 2) No funds will be used for any political campaign or to support attempts to influence legislation of any governmental body 3) If the organization loses exempt status, any unexpended funds will be returned to the Community Outreach Steering Committee 4) Adequate accounting records of the expenditures of funds will be maintained by your organization 5) This is a one time grant distribution Future funding requests will be considered on a case by case basis In addition, the Committee includes a Final Report Form with each organizations award letter The form requires the organization to provide a brief description of the activity and measurable outcomes/benefits, an expenditure report, follow up actions to the Committees recommendations, and future plans The Committee requests that each organization submit the Final Report Form to the Committee within thirty days after the completion of the project for which the funds were intended or within a maximum of one year from the receipt of funds

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

2012

Open to Public Inspection

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account	☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☒ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of 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 filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☒ Compensation committee ☒ Independent compensation consultant ☐ Form 990 of other organizations	☒ Written employment contract ☒ Compensation survey or study ☒ 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		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		No
b	Any related organization?	5b		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	6a		No
b	Any related organization?	6b		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations 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		No

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is 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, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
Sch J, Part III, Additional Information	Part III, Additional Information	Part II, Column (B)(ii) Bonus and incentive compensation amounts include incentive compensation and amounts paid to individuals in lieu of participation in 457(f) deferred compensation plan for the purchase of benefits.
Sch J, Part I, Line 1a	Part I, Line 1a Relevant information in regards to selections on 1a	Health club membership subsidy/discount is a benefits program applicable to all employees and is outlined in the benefit program documents. Dining Club memberships for Executives are for business purposes only, with all expenses substantiated by receipts and approvals. All amounts are included in taxable compensation as required.

Software ID: 12000229
Software Version: 2012v2.0
EIN: 39-0987025
Name: Community Memorial Hospital of Menomonee Falls Inc

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Van De Kreeke Jeffrey	(i) (ii)	291,459	110,009	27,257	73,475	12,039	514,239	
Unger Michael	(i) (ii)	239,377		1,398		16,131	256,906	
Sanders Paul A	(i) (ii)	225,047	54,893	24,770	14,432	21,677	340,819	
Pollard Dennis	(i) (ii)	384,853	140,997	27,565	84,473	27,233	665,121	
McClure Debra	(i) (ii)	272,528		609	5,754	12,298	291,189	
Lux Theresa M	(i) (ii)	180,144	50,225	17,299	29,901	10,084	287,653	
Knoll Thomas	(i) (ii)	151,668		693	8,310	26,791	187,462	
Jacobson Catherine A	(i) (ii)	698,373	298,671	4,782	150,975	28,885	1,181,686	
Hawig Scott	(i) (ii)	214,150	9,601	5,846		10,354	239,951	
Goldberg MD David F	(i) (ii)	249,317	75,970	20,797	40,905	25,569	412,558	
Freiberg Kerry J	(i) (ii)	141,743	43,621	20,992	28,752	11,846	246,954	
Evenson Rock E	(i) (ii)	144,063	44,869	20,438	28,354	24,328	262,052	
Ehn Diane	(i) (ii)	127,601	33,148	2,040	21,953	15,741	200,483	

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

2012

**Open to Public
Inspection**

Name of the organization Community Memorial Hospital of Menomonee Falls Inc	Employer identification number 39-0987025
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Identifier	Return Reference	Explanation
	Part VII - Section A 1a Columns C-F	Individuals listed as 'former' but receiving compensation during the year is due to the fact the individual is currently, or was during the tax year, still employed by the organization, but is no longer in the role of director, officer, key employee, etc in the current year, but was reported as such on the organization's 990 in the previous five years

Identifier	Return Reference	Explanation
	Part IX 24a Corporate Allocations	Froedtert Health allocates its revenues and expenses to Froedtert Memorial Lutheran Hospital, Community Memorial Hospital of Menomonee Falls, St Joseph's Community Hospital, Froedtert Physician Partners and West Bend Clinic. The allocation is calculated by applying an allocation metric to each accounting unit at Froedtert Health, including a flat percentage, percentage of gross revenue to total, percentage of supply expense to total, etc. Each entity then receives its portion of the Froedtert Health allocation on a monthly basis.

Identifier	Return Reference	Explanation
	Part IV, Line 24	Even though the liability is on the books of Community Memorial Hospital of Menemonee Falls, this question was answered no, as Schedule K will be completed on the Form 990 of the parent corporation, Froedtert Health, Inc

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	Other = -\$12276

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Increases	Change in Foundation Unrestricted Net Assets = \$2

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Increases	Change in Foundation Restricted Net Assets = \$309168

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Increases	Change in APBO than net periodic benefit costs = \$22157186

Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	Capital Contributions = -\$838632

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	Froedtert Health, Inc's quarterly financial information is made available to the public online through the Digital Assurance Corporation, Inc website. Anyone can register to receive ongoing access to and notifications regarding financial statements at the online website. Additionally, Governing Documents and Conflict of Interest Policy are made available to the public through the corporate office upon request.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	In establishing the compensation of the organizations Top Management, independent compensation consultants are utilized, compensation studies are completed to gather comparative data, persons with a conflict of interest regarding the compensation arrangements at issue are not involved in the decision making process, and amounts are reviewed and approved by the Compensation Committee of the Board of Directors In addition, there is contemporaneous documentation and recordkeeping for deliberations and decisions regarding the compensation arrangements

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	On an annual basis all officers, directors, trustees, key employees are required to complete a conflict of interest disclosure statement. The data is compiled, and the Froedtert Health Vice President-Chief Compliance Officer (CCO), the Senior Vice-President-General Counsel and/or delegate will review all forms and notifications to determine if any conflicts of interest exist in the disclosure documents. If it is determined that a conflict of interest exists, then the person making the disclosure shall be relieved of his/her obligations on behalf of Community Memorial Hospital with respect to the transaction or arrangement that creates the conflict of interest. A report of all conflicts of interest will be made by the CCO at least annually to the Froedtert Health Finance Committee of the Board of Directors.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 11b	Form 990, Part VI, Line 11b Form 990 Review Process	Froedtert Health, Inc accounting staff prepare Form 990 which is reviewed by the Froedtert Health's financial leaders and legal counsel The 990 is then reviewed by KPMG, Froedtert Health's outside accounting firm Next, the 990 is provided to the Froedtert Health Finance Committee and Board of Directors Finally, the 990 is filed as required

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7b	Form 990, Part VI, Line 7b Describe Decisions of Governing Body Approval by Members or Shareholders	Froedtert Health, Inc , as the sole member of Community Memorial Hospital of Menomonee Falls, Inc , retains certain reserved powers and authorities with respect to specific governance matters, and strategic and mission-related initiatives of Community Memorial Hospital

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7a	Form 990, Part VI, Line 7a How Members or Shareholders Elect Governing Body	Froedtert Health, Inc , as the member of Community Memorial Hospital of Menomonee Falls, has the final approval of election of all board members

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	Froedtert Health, Inc is the sole member of Community Memorial Hospital of Menomonee Falls, Inc

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 4	Form 990, Part VI, Line 4 Description of Significant Changes to Organizational Documents	Bylaws were amended and restated to reflect various governance related provisions to reflect current practices None of these changes effect the tax-exempt nature of the organization

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

2012

Open to Public Inspection

Name of the organization
Community Memorial Hospital of Menomonee Falls Inc

Employer identification number
39-0987025

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) 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" to 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 entity?	
						Yes	No
See Additional Data Table							

Part III

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

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) Progressive Physician Network Inc 9200 West Wisconsin Avenue Milwaukee, WI 53226 27-0367127	Managment Services	WI	Froedtert Health Inc	C					No

Part V

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

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

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

	Yes	No
1a		No
1b	Yes	
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k		No
1l		No
1m	Yes	
1n	Yes	
1o	Yes	
1p	Yes	
1q	Yes	
1r	Yes	
1s	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-s)	(c) Amount involved	(d) Method of determining amount involved

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

[illegible]

Software ID:

12000229

Software Version:

2012v2.0

EIN:

39-0987025

Name:

Community Memorial Hospital of Menomonee Falls Inc

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule R, Part V, Line 2		Any transactions listed on Schedule R, Part V, Line 1 and not on Schedule R, Part V, Line 2 are between related 501(c)(3) organizations and therefore, are not reported in this section

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FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Financial Statements and Schedules

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

FROEDTERT HEALTH, INC. AND AFFILIATES

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KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Board of Directors
Froedtert Health, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Froedtert Health, Inc. and Affiliates (Froedtert Health), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Froedtert Health as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As described in note 8 to the consolidated financial statements, Froedtert Health adopted the provisions of Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*. As a result of this adoption, Froedtert Health has presented on a separate line the provision for uncollectible accounts receivable as a deduction from net patient service revenue (net of contractual allowances and discounts) and included enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debt. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis 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 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 themselves 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.

KPMG LLP

Milwaukee, Wisconsin
September 13, 2013

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Balance Sheets

June 30, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 105,744	87,244
Assets whose use is limited	1,383	1,648
Patient accounts receivable, net of estimated uncollectibles of approximately \$45,500 in 2013 and \$42,200 in 2012	183,605	176,987
Other receivables	10,710	20,893
Inventories	21,587	19,750
Collateral held for securities loaned	266,846	238,187
Prepays and other	8,748	11,169
Total current assets	598,623	555,878
Investments	1,004,670	876,386
Assets whose use is limited or restricted	158,498	76,052
Investments in unconsolidated affiliates	41,488	29,753
Property, plant, and equipment, net	641,104	574,812
Deferred financing costs and other assets, net	32,355	43,033
Total assets	\$ 2,476,738	2,155,914
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 9,655	8,921
Accounts payable	26,578	23,456
Accrued expenses	170,455	141,507
Payable under securities lending agreement	266,846	238,187
Estimated settlements to third-party payors	6,202	5,911
Total current liabilities	479,736	417,982
Long-term debt, less current installments	580,500	477,036
Other long-term liabilities	75,751	127,286
Total liabilities	1,135,987	1,022,304
Net assets:		
Unrestricted	1,328,209	1,120,474
Noncontrolling interest in consolidated joint ventures	2,267	1,820
Total unrestricted	1,330,476	1,122,294
Temporarily restricted	9,907	10,948
Permanently restricted	368	368
Total net assets	1,340,751	1,133,610
Total liabilities and net assets	\$ 2,476,738	2,155,914

See accompanying notes to consolidated financial statements.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Statements of Operations

Years ended June 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Net patient service revenue:		
Net patient service revenue before provision for bad debt	\$ 1,501,898	1,380,969
Provision for bad debts	76,156	72,299
Net patient service revenue	1,425,742	1,308,670
Other operating revenue	73,464	70,716
Total revenue	1,499,206	1,379,386
Expenses:		
Salaries	512,648	485,738
Fringe benefits	128,871	125,506
Supplies	276,288	255,062
Contract services	129,412	117,201
Affiliate support	70,451	63,319
Depreciation and amortization	59,962	54,618
Interest	22,176	20,811
Other	214,457	201,434
Claims and settlements	549	(27,195)
Total expenses	1,414,814	1,296,494
Operating revenue in excess of expenses	84,392	82,892
Nonoperating gains and losses:		
Investment income	39,817	33,543
Change in net unrealized gains and losses on trading securities	42,081	(17,133)
Change in fair value of interest rate swaps	17,025	(24,504)
Loss on early extinguishment of debt	(3,640)	—
Loss on disposal of property, plant, and equipment	(412)	(450)
Total nonoperating gains and losses, net	94,871	(8,544)
Revenue and gains in excess of expenses and losses	179,263	74,348
Other changes in unrestricted net assets:		
Change in net unrealized gains and losses on other-than-trading securities	(1,218)	—
Contributions and net assets released from restrictions for property, plant, and equipment	3,457	2,176
Change in accrued pension benefits other than net periodic benefit costs	26,372	(26,258)
Other	308	396
Increase in unrestricted net assets	208,182	50,662
Unrestricted net assets at beginning of year	1,122,294	1,071,632
Unrestricted net assets at end of year	\$ 1,330,476	1,122,294

See accompanying notes to consolidated financial statements.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012

(In thousands)

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total</u>
Balance, June 30, 2011	\$ 1,071,632	11,431	368	1,083,431
Revenue and gains in excess of expenses and losses	74,348	—	—	74,348
Change in net unrealized gains and losses on investments	—	(145)	—	(145)
Restricted contributions	—	3,204	—	3,204
Restricted investment return	—	190	—	190
Net assets released from restrictions for operations	—	(1,572)	—	(1,572)
Contributions and net assets released from restrictions for property, plant, and equipment	2,176	(2,176)	—	—
Change in accrued pension benefits other than net periodic benefit costs	(26,258)	—	—	(26,258)
Other	396	16	—	412
Increase (decrease) in net assets	<u>50,662</u>	<u>(483)</u>	<u>—</u>	<u>50,179</u>
Balance, June 30, 2012	<u>1,122,294</u>	<u>10,948</u>	<u>368</u>	<u>1,133,610</u>
Revenue and gains in excess of expenses and losses	179,263	—	—	179,263
Change in net unrealized gains and losses on investments	—	307	—	307
Change in net unrealized gains and losses on other-than-trading securities	(1,218)	—	—	(1,218)
Restricted contributions	—	2,294	—	2,294
Restricted investment return	—	323	—	323
Net assets released from restrictions for operations	—	(544)	—	(544)
Contributions and net assets released from restrictions for property, plant, and equipment	3,457	(3,457)	—	—
Change in accrued pension benefits other than net periodic benefit costs	26,372	—	—	26,372
Other	308	36	—	344
Increase (decrease) in net assets	<u>208,182</u>	<u>(1,041)</u>	<u>—</u>	<u>207,141</u>
Balance, June 30, 2013	<u>\$ 1,330,476</u>	<u>9,907</u>	<u>368</u>	<u>1,340,751</u>

See accompanying notes to consolidated financial statements

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase in net assets	\$ 207,141	50,179
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	59,962	54,618
Provision for bad debts	76,156	72,299
Loss on disposal of property, plant, and equipment	412	450
Loss on early extinguishment of debt	3,640	—
Income from equity interest in unconsolidated affiliates, net	(2,116)	(2,187)
Restricted contributions and investment return	(2,924)	(3,249)
Realized and unrealized gains and losses on investments, net	(55,965)	7,229
Change in fair value of interest rate swap agreements	(17,025)	24,504
Change in accrued pension benefits other than net periodic benefit costs	(26,372)	26,258
Changes in assets and liabilities		
Patient accounts receivable	(82,774)	(83,142)
Estimated settlements to third-party payors	291	767
Accounts payable and accrued expenses	32,070	26,880
Other receivables	10,183	(11,709)
Inventories	(1,837)	1,373
Other assets and liabilities	7,003	(5,194)
Net cash provided by operating activities	<u>207,845</u>	<u>159,076</u>
Cash flows from investing activities		
Net additions to property, plant, and equipment	(126,678)	(67,423)
Proceeds from sales of property, plant, and equipment	221	2
Purchases of investments and assets whose use is limited or restricted	(440,751)	(923,678)
Proceeds from sales or maturities of investments and assets whose use is limited or restricted	286,251	855,872
Additional capital contributions in unconsolidated affiliates	(9,619)	(6)
Net cash used in investing activities	<u>(290,576)</u>	<u>(135,233)</u>
Cash flows from financing activities		
Repayments of long-term debt	(67,198)	(8,571)
Payments for deferred financing costs	(1,690)	—
Proceeds from issuance of long-term debt, net of bond premium	167,195	—
Restricted contributions and investment return	2,924	3,249
Net cash provided by (used in) financing activities	<u>101,231</u>	<u>(5,322)</u>
Net change in cash and cash equivalents	18,500	18,521
Cash and cash equivalents		
Beginning of year	87,244	68,723
End of year	<u>\$ 105,744</u>	<u>87,244</u>

See accompanying notes to consolidated financial statements

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollar amounts in thousands)

(1) Organization and Summary of Significant Accounting Policies

Froedtert Health, Inc. (FH), formerly known as Froedtert & Community Health, Inc., is a nonstock, not-for-profit corporation organized to support and carry out the missions of Froedtert Memorial Lutheran Hospital, Inc. (FMLH); Community Memorial Hospital of Menomonee Falls, Inc. (CMH); St. Joseph's Community Hospital of West Bend, Inc. (SJCH); West Bend Clinic, Inc. (WBC); Froedtert Physician Partners, Inc. (FPP); and Progressive Physician Network, Inc. (PPN). FH is the sole corporate member of FMLH, CMH, SJCH, WBC, FPP, and PPN.

FMLH owns and operates an acute care hospital with 655 approved beds (of which 498 are currently staffed), clinics, and related operations in Wauwatosa, Wisconsin. FMLH is the sole corporate member of Froedtert Hospital Foundation, Inc. (Froedtert Foundation). The purpose of Froedtert Foundation is to raise money and to accept contributions for the purpose of developing philanthropic support for FMLH. Froedtert Foundation solicits, allocates, and dispenses funds exclusively for the maintenance, benefit, and support of FMLH programs, services, education, and capital improvements in accordance with priorities set by the Froedtert Foundation's board of directors and donor restrictions. Froedtert Surgery Center, LLC (FSC) is a Wisconsin limited liability company created as a joint venture among FMLH, Medical College of Wisconsin (MCW), and Advanced Healthcare S.C. (Advanced) to provide ambulatory surgery services. FMLH has a 50% ownership in FSC.

CMH owns and operates an acute care hospital with 235 approved beds (of which 202 are currently staffed) in Menomonee Falls, Wisconsin. CMH is the sole corporate member of Community Memorial Foundation of Menomonee Falls, Inc. (Community Memorial Foundation), which is a supporting organization of CMH. CMH is also the sole corporate member of Community Outpatient Health Services of Menomonee Falls, Inc. (COHS). The purpose of Community Memorial Foundation is to raise money and to accept contributions for the purpose of developing philanthropic support for CMH. Community Memorial Foundation solicits, allocates, and dispenses funds exclusively for the maintenance, benefit, and support of CMH programs, services, education, and capital improvements in accordance with priorities set by the Community Memorial Foundation's board of directors and donor restrictions. COHS is a primary care clinic for the indigent. SJCH owns and operates an acute care hospital with 70 approved and staffed beds in West Bend, Wisconsin.

SJCH is the sole corporate member of St. Joseph's Community Foundation, Inc. (St. Joseph's Foundation). The purpose of St. Joseph's Foundation is to support SJCH and promote health and welfare of persons residing in Washington County, Wisconsin, and the areas served by SJCH and WBC. St. Joseph's Foundation receives gifts and bequests, raises funds for specific projects or needs, administers and invests funds, and disburses payments exclusively to further the mission and purposes of FH, SJCH, and WBC.

WBC operates multispecialty clinics and an outpatient surgery center in West Bend, Wisconsin, and other satellite clinics in surrounding communities. WBC is the sole corporate member of West Bend Surgery Center, LLC (WBSC).

FPP operates multispecialty clinics in Menomonee Falls, Wisconsin, and other satellite clinics in the surrounding communities.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollar amounts in thousands)

PPN is an independent practice association, which contracts with health plans and other third-party payors to arrange for the provision of healthcare services by its physician members. PPN serves to support a network of healthcare professionals engaged in developing reproducible clinical and administrative processes that clinically integrate such professionals in a manner which improves patient health, enhances patient experiences, and reduces or controls the cost of healthcare in such professionals' shared communities.

FH has a 60% ownership interest in Froedtert Health Hometown Pharmacy, LLP (FHHP), which owns and operates a retail pharmacy selling prescriptions and over-the-counter medications and related products in West Bend, Wisconsin. FHHP began operations in July 2011. In 2013, FH became 50% owner in both the newly formed FHHP-Sussex (Sussex), LLC and FHHP- Kewaskum (Kewaskum), LLC which will own and operate retail pharmacies in Sussex and Kewaskum, Wisconsin, respectively.

The accompanying consolidated financial statements include the accounts of FH, FMLH, Froedtert Foundation, FSC, CMH, Community Memorial Foundation, COHS, SJCH, St. Joseph's Foundation, WBC, WBSC, FPP, PPN, FHHP, Sussex, and Kewaskum.

At June 30, 2013, FH, FMLH, Froedtert Foundation, CMH, Community Memorial Foundation, SJCH, St. Joseph's Foundation, and WBC are members of the obligated group (Obligated Group) for the purposes of the issuance of bonds through the Wisconsin Health and Educational Facilities Authority (WHEFA) (note 6). The Obligated Group consisted only of the members mentioned above and excludes FSC, COHS, WBSC, PPN, FPP, FHHP, Sussex, and Kewaskum. Total combined assets of FSC, COHS, WBSC, PPN, FPP, FHHP, Sussex, and Kewaskum, which are not members of the Obligated Group, were approximately \$24,835 at June 30, 2013. Total combined net assets of the same entities were approximately \$9,544 at June 30, 2013 and total combined revenue and gains deficient of expenses and losses were \$(21,127) for the year ended June 30, 2013. WBC was removed from the Obligated Group effective July 1, 2013 (see note 16).

The significant accounting policies of FH are as follows:

(a) Principles of Consolidation

The consolidated financial statements of FH have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Net Assets

Net assets are classified as either permanently or temporarily restricted when the use of the assets is limited by outside parties or as unrestricted net assets when outside parties place no restrictions on the use of the assets or when the assets arise as a result of the operations of FH.

Unconditional promises to give cash and other assets to FH are reported at fair value at the date the promise is received. Pledges receivable to be collected after one year are discounted using a risk-free interest rate. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollar amounts in thousands)

restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as operating revenue in the consolidated statements of operations if restricted for operating purposes and as an increase to unrestricted net assets if restricted to purchase property, plant, and equipment. Gifts for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as other operating revenue. FH's temporarily restricted net assets are restricted for future construction or specific operations of FMLH, CMH, SJCH, and WBC. The permanently restricted net assets are endowment funds held by Froedtert Foundation and St. Joseph's Foundation, the principal of which may not be expended.

Interpretation of Relevant Law Governing Endowments

FH applies the provisions of Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. ASC 958-205 provides guidance on the net asset classification of donor restricted endowment funds for not-for-profit organizations and requires additional disclosure about endowment funds.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) legislation eliminates the historical dollar value threshold, an amount below which an organization could not spend from the endowment, and replaces it with guidelines that constitute prudent spending with preservation of the endowment. UPMIFA requires the establishment of a spending policy, which may result in the value of the endowment dropping below the historical dollar value threshold.

Froedtert Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in temporarily restricted net assets until appropriated for expenditure by Froedtert Foundation.

Endowment Spending Policy

Froedtert Foundation has a policy of appropriating for distribution each year, a percentage as determined periodically by the Froedtert Foundation board of the average fair market value of the assets of the endowment as of June 30 of the preceding 12 quarters. Over the duration of the investments, the Froedtert Foundation anticipates that when offset against inflationary factors, this policy will maintain the purchasing power of the endowment assets that are required to be held in perpetuity, as well as to provide additional purchasing power through new contributions and investment returns.

Endowment Investment Policy

Froedtert Foundation attempts to provide a predictable stream of funding to support its endowments while seeking to maintain the purchasing power of the endowment assets. The endowment's assets are commingled with the investment assets of the Froedtert Foundation and for investment purposes

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollar amounts in thousands)

are invested in a manner determined by the FH Investment Committee and in accordance with the FH investment policy. In order to satisfy the long-term rate of return of the investment policy and objectives, FH relies on a total return strategy in which investment returns are achieved through both realized and unrealized gains and losses and interest and dividend income.

(c) *Assets Whose Use Is Limited or Restricted*

Assets whose use is limited or restricted include assets set aside by management for executive compensation agreements and for program development and physician recruitment, assets held by trustees under debt agreements, assets held under swap collateral posting requirements, and assets whose use is restricted by donors. Assets whose use is limited are reported as unrestricted net assets. Assets whose use is restricted by donors are reported as temporarily restricted or permanently restricted net assets.

(d) *Revenue and Gains in Excess of Expenses and Losses*

The consolidated statements of operations include revenue and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as gains and losses. Changes in unrestricted net assets that are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include changes in net unrealized gains and losses on other-than-trading securities, contributions of property, plant, and equipment (including assets acquired using contributions that by donor restrictions were to be used for the purpose of acquiring such assets), changes in accrued pension benefits other than net periodic benefit costs, and other.

(e) *Net Patient Service Revenue*

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

(f) *Investments and Investment Income*

Investments, including assets whose use is limited or restricted, with readily determinable fair values, are stated at fair value generally based upon quoted market prices. Money market accounts and fixed income securities with a maturity of three months or less are included in cash and cash equivalents on the balance sheet. Fixed income securities purchased with a maturity greater than three months but less than twelve months are included in investments on the balance sheet. Realized gains and losses and interest and dividends on funds held under debt agreements, to the extent not capitalized, are classified as other operating revenue in the consolidated statements of operations. Realized gains and losses, unrealized gains and losses on trading securities, and interest and dividends on long-term investments are classified as nonoperating gains and losses in the consolidated statements of operations. Unrealized gains and losses are included in revenue and gains

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollar amounts in thousands)

in excess of expenses and losses as management considers investments to be trading securities, other than investments held in project funds, which are considered other-than-trading securities.

FH invests in various investment securities including U.S. government securities, marketable equity securities, fixed income securities, money market funds, and mutual funds. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of FH's investments could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Investments in joint ventures in which 20% to 50% interest is held are accounted for using the equity method of accounting. Investments in joint ventures with less than a 20% interest and for which FH does not exercise significant control are accounted for using the cost method. Investments in which greater than 50% interest is held are consolidated with the recording of a noncontrolling interest in consolidated joint venture within unrestricted net assets.

(g) *Inventories*

Inventories are stated at cost, which is not in excess of market value.

(h) *Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Buildings and equipment under capital leases are recorded at the net present value of future minimum lease payments. Equipment under capital leases and leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment or leasehold improvements.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(i) *Long-Lived Assets*

FH periodically assesses the recoverability of long-lived assets (including property, plant, and equipment) when indications of potential impairment, based on estimated, undiscounted future cash flows exist. Management considers such factors as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset. FH does not believe that there are any factors or circumstances indicating impairment of its long-lived assets for the years ended June 30, 2013 and 2012.

(j) *Costs of Borrowing*

Expenses incurred on the issuance of fixed rate long-term debt and the original issue premium or discount are deferred and amortized using the declining-balance method over the term of the debt.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollar amounts in thousands)

Expenses incurred on the issuance of variable rate debt are deferred and amortized using the straight-line method over the term of the underlying letter of credit for each issue.

Net interest costs, the associated premium, and deferred financing costs incurred on borrowed funds during the period of construction are capitalized as a component of the cost of significant construction projects.

(k) Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include highly liquid investments purchased with a maturity at date of purchase of three months or less, excluding assets whose use is limited or restricted.

(l) Income Taxes

FH and its affiliates, except FSC, WBSC, PPN, FHHP, Sussex, and Kewaskum 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 on related income pursuant to Section 501(a) of the Code. FSC, WBSC, FHHP, Sussex, and Kewaskum are limited liability companies and are treated as partnerships for income tax purposes. Income and losses are passed through to their members. PPN is a nonstock corporation and earnings are subject to income tax.

FH applies ASC No. 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC No. 740 prescribes a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC No. 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2013 and 2012, FH does not have an asset or liability recorded for unrecognized tax positions.

(m) Derivative Instruments

FH accounts for derivatives and hedging activities in accordance with ASC No. 815, *Derivatives and Hedging*, which requires that all derivatives instruments be recorded as either assets or liabilities in the consolidated balance sheets at their respective fair values.

For hedging relationships, FH formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities in the consolidated balance sheets.

The interest rate swap agreements do not meet the criteria to qualify for hedge accounting treatment. FH continues to carry all of its derivatives at fair value and recognizes changes in their fair value as nonoperating gains and losses in the consolidated statements of operations.

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(n) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(o) New Accounting Pronouncements

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07). ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations. All other entities would continue to present the provision for bad debts as an operating expense. In addition, there are enhanced disclosures about the entities policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. FH adopted ASU 2011-07 during 2013. The provision for bad debts has been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and deductions) for the years ended June 30, 2013 and 2012 to reflect the retrospective application of ASU 2011-07.

(p) Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 consolidated financial statement presentation, including a reclassification of the provision for bad debts in the consolidated statement of operations that decreases net patient service revenue and decreases total expenses by \$72,299 as a result of adopting ASU 2011-07.

(2) Fair Value Measurements

FH applies the provisions of ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends ASC Subtopic No. 820-10, *Fair Value Measurement – Overall*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements.

ASC Subtopic No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. These provisions describe a fair value hierarchy that includes three levels of inputs to be used to measure fair value. The three levels are defined as follows as interpreted for use by FH:

- Level 1 – Inputs into fair value methodology are based on quoted market prices in active markets.

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- Level 2 – Inputs into the fair value methodology are based on quoted prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves. The inputs are generally seen as observable in active markets for similar items for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 – Inputs into the fair value methodology are unobservable and significant to the fair value measurement.

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient and other receivables, accounts payable, accrued expenses, and estimated settlements to third-party payors.
- Assets limited as to use, collateral held for securities loaned, and long term investments: U.S. government securities, marketable equity securities, fixed income securities, money market funds, and mutual funds are measured using quoted market prices; other observable inputs such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets at the reporting date multiplied by the quantity held. The carrying value equals fair value.
- Interest rate swaps: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and FH. The carrying value equals fair value.
- Fair value of total long-term debt was approximately \$582,307 and \$502,986 at June 30, 2013 and 2012, respectively, and is based upon borrowing rates currently available to FH for similar terms and average maturities.

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The following table represents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2013:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets				
Cash and cash equivalents	\$ 105,744	105,744	—	—
Collateral held for securities loaned	266,846	—	266,846	—
Investments, excluding interest receivable of \$3,107				
U S government securities	252,288	—	252,288	—
Marketable equity securities	413,434	413,434		—
Fixed income securities	225,364	—	225,364	—
Money market funds and mutual funds	110,477	110,477	—	—
Assets whose use is limited or restricted, excluding interest receivable of \$75 and pledges receivable of \$441				
Cash and cash equivalents	8,314	8,314	—	—
U S government securities	5,866	—	5,866	—
Marketable equity securities	16,266	16,266		—
Fixed income securities	116,099	—	116,099	—
Money market funds and mutual funds	11,813	11,813	—	—
Other	1,007	—	272	735
Total assets	<u>\$ 1,533,518</u>	<u>666,048</u>	<u>866,735</u>	<u>735</u>
Liabilities				
Payable under securities lending agreement	\$ 266,846	—	266,846	—
Interest rate swap agreements	26,049	—	26,049	—
Total liabilities	<u>\$ 292,895</u>	<u>—</u>	<u>292,895</u>	<u>—</u>

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The following table represents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2012:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets				
Cash and cash equivalents	\$ 87,244	87,244	—	—
Collateral held for securities loaned	238,187	—	238,187	—
Investments, excluding interest receivable of \$3,096				
U S government securities	226,804	—	226,804	—
Marketable equity securities	343,771	343,771	—	—
Fixed income securities	208,606	—	208,606	—
Money market funds and mutual funds	94,109	94,109	—	—
Assets whose use is limited or restricted, excluding interest receivable of \$79 and pledges receivable of \$329				
Cash and cash equivalents	27,748	27,748	—	—
U S government securities	6,259	—	6,259	—
Marketable equity securities	13,782	13,782	—	—
Fixed income securities	18,347	—	18,347	—
Money market funds and mutual funds	9,781	9,781	—	—
Other	1,375	—	184	1,191
Total assets	<u>\$ 1,276,013</u>	<u>576,435</u>	<u>698,387</u>	<u>1,191</u>
Liabilities				
Payable under securities lending agreement	\$ 238,187	—	238,187	—
Interest rate swap agreements	43,074	—	43,074	—
Total liabilities	<u>\$ 281,261</u>	<u>—</u>	<u>281,261</u>	<u>—</u>

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The following table is a rollforward of assets whose use is limited that were classified by FH within Level 3 of the fair value hierarchy as defined above:

	<u>2013</u>	<u>2012</u>
Fair value at beginning of year	\$ 1,191	1,302
Gains/losses and investment income, net	(133)	(111)
Purchases, issuances, and write-offs, net	(323)	—
Transfers in and out of Level 3, net	—	—
Fair value at end of year	<u>\$ 735</u>	<u>1,191</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. FH evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended June 30, 2013, there were no significant transfers in or out of Levels 1, 2, or 3.

(3) Investments and Assets Whose Use is Limited or Restricted

Investments and assets whose use is limited or restricted are summarized as follows:

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
At fair value:		
U.S. government securities	\$ 252,288	226,804
Marketable equity securities	413,434	343,771
Fixed income securities	225,364	208,606
Money market funds and mutual funds	110,477	94,109
Total investments at fair value	1,001,563	873,290
At cost:		
Interest receivable	3,107	3,096
Total investments	<u>\$ 1,004,670</u>	<u>876,386</u>

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	June 30	
	2013	2012
At fair value:		
Cash and cash equivalents	\$ 8,314	27,748
U.S. government securities	5,866	6,259
Marketable equity securities	16,266	13,782
Fixed income securities	116,099	18,347
Money market funds and mutual funds	11,813	9,781
Other	1,007	1,375
Total assets whose use is limited at fair value	159,365	77,292
At cost:		
Interest receivable	75	79
Pledges receivable	441	329
Total assets whose use is limited or restricted	\$ 159,881	77,700

Assets whose use is limited or restricted are summarized as follows:

	June 30	
	2013	2012
Assets whose use is limited or restricted		
Under debt agreements (note 6)	\$ 112,453	14,321
Swap collateral (note 7)	98	20,673
By management:		
For executive compensation agreements	15,995	13,044
For program development and physician recruitment	10,000	10,000
For other	9,677	6,995
By donors	10,275	11,316
Other	1,383	1,351
Total assets whose use is limited or restricted	\$ 159,881	77,700

Assets whose use is limited or restricted are classified as current assets to the extent they are available to meet current liabilities.

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The composition of investment return on FH's cash and cash equivalents, investments, and assets whose use is limited or restricted is as follows:

	Year ended June 30	
	2013	2012
Interest and dividends on investments	\$ 26,978	24,859
Net realized gains and losses on sale of investments	15,102	9,854
Change in net unrealized gains and losses on investments	41,170	(17,278)
Total investment return	<u>\$ 83,250</u>	<u>17,435</u>

Investment returns are included in the accompanying consolidated statements of operation and changes in net assets for the years ended June 30, 2013 and 2012:

	Year ended June 30	
	2013	2012
Other operating revenue:		
Interest and dividend income	\$ 1,019	1,026
Net realized gains and losses	(17)	(50)
Nonoperating gains and losses – investment income	39,817	33,543
Nonoperating gains and losses – change in unrealized gains and losses on investments	42,081	(17,133)
Other changes in unrestricted net assets – change in net unrealized gains and losses on investments	(1,218)	—
Other changes in temporarily restricted investments:		
Restricted investment income	323	190
Change in net unrealized gains and losses on investments	307	(145)
Interest earnings offset against capitalized interest cost	938	4
Total investment return	<u>\$ 83,250</u>	<u>17,435</u>

FH has a securities lending agreement with a financial institution whereby fixed income and equity securities are loaned to third parties in exchange for cash collateral that exceeds the market value of the securities loaned. Collateral is marked to market daily to reflect changes in fair value of the securities loaned. The fair market value of the securities loaned under this arrangement was approximately \$260,105 and \$232,903 at June 30, 2013 and 2012, respectively. The fair market value of the collateral received under this arrangement was approximately \$266,846 and \$238,187 at June 30, 2013 and 2012, respectively. The collateral held is comprised of cash and cash equivalents, U.S. government securities, and fixed income securities. Under the terms of the securities lending agreement, FH is not entitled to the unrealized gains on the invested collateral and as such has not recognized the unrealized gains in the accompanying consolidated financial statements. The change in unrealized gains and losses on the invested collateral was approximately \$0 and \$1,803 for the years ended June 30, 2013 and 2012, respectively, and is included as nonoperating gains and losses on the consolidated statement of operations. The fair value of

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collateral was 102.6% and 102.3% of the fair value of securities loaned at June 30, 2013 and 2012, respectively.

(4) Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows:

	June 30	
	2013	2012
Land and land improvements	\$ 16,023	15,430
Leasehold improvements	86,850	70,271
Buildings	548,561	497,569
Fixed equipment	119,777	111,502
Movable equipment	407,150	350,343
Construction in progress	47,582	68,200
Total property, plant, and equipment	1,225,943	1,113,315
Less accumulated depreciation and amortization	584,839	538,503
Property, plant, and equipment, net	\$ 641,104	574,812

Construction in progress at June 30, 2013 and 2012 relates to a heart and vascular center, transplant and nephrology clinic, various software and renovation projects, construction of a cancer center at SJCH, a medical office building for FPP, and various other renovation projects and equipment at the hospital and clinic campuses. Contractually committed costs for renovation and software projects totaled approximately \$47,792 at June 30, 2013. During the year ended June 30, 2013, FH capitalized \$3,161 of net interest cost, which is comprised of \$4,099 of interest cost less \$938 of interest earned on unexpended bond proceeds. During the year ended June 30, 2012, FH capitalized \$549 of net interest cost, which is comprised of \$553 of interest cost less \$4 of interest earned on unexpended bond proceeds.

(5) Land Lease Agreement

In 1980, FMLH entered into a land lease agreement with Milwaukee County to lease the land on which the hospital resides. The lease terms are for FMLH to pay one dollar annually through 2030, and a mutually agreed-upon amount in years 2031 through 2079. If the parties cannot mutually agree upon an amount, the annual rent will be determined as fair market value of the leased land times 10%. In December 1995, FMLH purchased certain assets of John L. Doyne Hospital (Doyne). As part of the purchase, FMLH entered into an amendment to the original land lease agreement to include the land previously used by Doyne. The lease payments on the new land lease are calculated as one dollar plus 5.25% of FMLH's annual operating cash flow, as defined in the agreement, for each of the years through 2020 and one dollar annually in years 2021 to 2079. The lease agreements are accounted for as operating leases. Lease expense has been recognized in accordance with the terms of the lease agreements amounting to \$10,771 and \$4,435 for the years ended June 30, 2013 and 2012, respectively. Cumulative amounts recognized under the lease agreements since the leases' inception in 1995 approximate \$78,400 through June 30, 2013. Payments under the lease agreements are made in the year subsequent to the year in which they relate.

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(6) Long-Term Debt

Long-term debt is summarized as follows:

	June 30	
	2013	2012
Revenue bonds, Series 2001 – (effective rate of 5.32% for the year ended June 30, 2012, refunded October 11, 2012)	\$ —	8,000
Revenue bonds, Series 2003 – (effective rate of 5.98% for the year ended June 30, 2012, legally defeased October 11, 2012)	—	47,055
Revenue bonds, Series 2005A – due in 2016 (effective rate of 5.35% for both years ended June 30, 2013 and 2012)	424	424
Revenue bonds, Series 2009A – annual principal payments range from \$2,455 in 2014 to \$9,535 in 2035. Interest rates variable based on market conditions (0.05% and 0.17% at June 30, 2013 and 2012, respectively, effective rate of interest 3.28% in 2013 and 3.20% in 2012)	89,925	92,300
Revenue bonds, Series 2009B – annual principal payments range from \$2,450 in 2014 to \$9,535 in 2035. Interest rates variable based on market conditions (0.06% and 0.16% at June 30, 2013 and 2012, respectively, effective rate of interest 3.29% in 2013 and 3.20% in 2012)	89,920	92,300
Revenue bonds, Series 2009C – annual principal payments range from \$2,900 in 2014 to \$22,885 in 2039, plus interest each year through 2039. Interest rates range from 4.00% to 5.25% (effective rate of interest of 5.12% in 2013 and 5.10% in 2012)	176,720	179,555
Revenue bonds, Series 2012A – due in sinking fund installments ranging from \$265 to \$35,965 plus interest each year through 2042, ranging from 3.00% to 5.00% (effective rate of interest of 4.87% at June 30, 2013)	155,100	—
Capital lease obligations	62,225	62,568
Other	879	1,021
Total debt	575,193	483,223
Less:		
Current installments of long-term debt	9,655	8,921
Unamortized bond premium, net	(14,962)	(2,734)
Total long-term debt	\$ 580,500	477,036

On October 11, 2012, WHEFA issued \$155,100 of Series 2012A revenue bonds on behalf of the Obligated Group. The proceeds from the Series 2012A Bonds were used to legally defease the Series 2003 Bonds, refund the Series 2001 Bonds and to finance certain Obligated Group projects. The refunding resulted in a

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loss on early extinguishment of debt of approximately \$3,640, which is included in nonoperating gains and losses in the 2013 consolidated statement of operations. Pursuant to the terms of the bond trust indentures, each Obligated Group member is jointly and severally liable for the guaranty of principal and interest on the revenue bonds issued by WHEFA on behalf of the Obligated Group.

Under the terms of the Series 2001 and 2003 bond trust indentures and subsequent supplements to the indentures, CMH and SJCH were required to maintain certain deposits with a trustee. Such deposits were included with assets whose use is limited in the consolidated balance sheets (note 3). The Series 2001 and 2003 Series bonds were refunded and legally defeased, respectively, with the Series 2012A Bonds. The Master Trust Indenture related to the Series 2005A, 2009C, and 2012A and the reimbursement agreements related to the 2009A and 2009B bonds also place limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the bonds are outstanding.

The variable rate 2009A and 2009B Series bonds are backed by letters of credit expiring in February 2015. The bonds have put options that allow the holders to redeem the bonds prior to maturity. FH has an agreement with an underwriter to remarket any bonds redeemed as a result of the exercise of put options. If the bonds cannot be remarketed, the bank will draw on the letter of credit to purchase the bonds. The bank, pursuant to a reimbursement agreement, will demand payment from FH under an accelerated payment schedule for these purchased bonds, as shown in the table below.

The Series 2009A and 2009B bonds have variable interest rates with a maximum interest rate of 10%.

Cash payments for interest, net of amounts capitalized, and monthly swap settlements were approximately \$19,536 and \$20,387 for the years ended June 30, 2013 and 2012, respectively.

Scheduled principal maturities on long-term debt and capital lease obligations for each of the next five years and thereafter are as follows:

2014	\$	9,655
2015		9,403
2016		10,258
2017		10,743
2018		11,211
Thereafter		523,923
	\$	<u>575,193</u>

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Maturities on long-term debt and capital lease obligations if variable rate demand note principal payments are accelerated pursuant to the bank reimbursement agreement for each of the next five years and thereafter are as follows:

2014	\$	9,655
2015		12,001
2016		11,685
2017		166,447
2018		5,477
Thereafter		369,928
	\$	<u>575,193</u>

FH has entered into capital leases for certain medical office space through the year 2032. The capital lease obligations were \$62,225 and \$62,568 at June 30, 2013 and 2012, respectively.

Future minimum lease payments under capital leases at June 30, 2013 are as follows:

2014	\$	6,567
2015		6,662
2016		6,795
2017		6,932
2018		7,071
Thereafter		97,108
		<u>131,135</u>
Total minimum lease payments		131,135
Less amounts representing interest ranging from 7.81% to 11.17%		<u>68,910</u>
Present value of net minimum lease payments	\$	<u>62,225</u>

(7) Derivative Instruments and Hedging Activities

The derivative instruments used by FH are interest rate swap agreements that are used to convert variable rate interest on the long-term debt to fixed rate interest. The variable interest rate on the debt generally exposes FH to variability in cash flow in rising or declining interest rate environments. In converting variable rate interest to a fixed rate, the interest rate swap effectively reduces the variability of the cash flow of the debt.

(a) Objectives and Strategies

FH, at times, uses variable rate debt to finance its operations. The debt obligations expose FH to variability in interest payments due to changes in interest rates. Management believes that it is

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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 exposures to changes in interest rates, FH 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 FH, which creates credit risk for FH. When the fair value of a derivative contract is negative, FH owes the counterparty, and therefore, it does not pose credit risk. FH 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*

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

FH does not use derivative instruments for speculative investment purposes.

(c) *Transactions*

Consistent with the objectives set forth above, the Obligated Group entered into interest rate swap agreements matched to its Series 2009A and 2009B revenue bonds. Under the terms of the interest rate swap agreements, the Obligated Group pays a fixed rate on the bonds and receives a variable rate of interest equal to the three-month LIBOR index, reset weekly.

The fair value of the interest rate swaps of approximately \$26,049 and \$43,074 is included in other long-term liabilities in the consolidated balance sheets at June 30, 2013 and 2012, respectively. The change in fair value of the interest rate swaps of \$17,025 and \$(24,504) is included in nonoperating gains and losses in the consolidating statement of operations for the years ended June 30, 2013 and 2012, respectively.

The interest rate swap agreements for the Obligated Group at June 30, 2013 consist of the following:

Type		Notional amount	Maturity date	Fixed pay rate	Variable pay rates at June 30	
					2013	2012
2009A bonds	\$	89,925	April 1, 2035	3.366%	0.186%	0.317%
2009B bonds		89,920	April 1, 2035	3.366	0.186	0.317

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Cash paid for monthly settlement under the interest rate swap agreements was \$5,747 and \$5,740 and is included within interest expense in the consolidated statements of operations. No cash was received under the interest rate swaps agreements during the years ended June 30, 2013 and 2012. FH posted collateral as required under the swap agreements of \$98 and \$20,673 as of June 30, 2013 and 2012, respectively.

(8) Net Patient Service Revenue

A summary of the basis of reimbursement with major third-party payors follows:

Medicare – Inpatient acute care, most outpatient, and defined capital costs for services rendered to Medicare beneficiaries are paid at prospectively determined rates per case. These rates vary according to a payment classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, medical education, and certain organ acquisition costs related to Medicare beneficiaries are paid based upon cost reimbursement methods, established fee screens, or a combination thereof. FMLH, CMH, and SJCH are reimbursed for cost reimbursement items at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. All FH cost reports have been audited by the Medicare fiscal intermediary through June 30, 2009.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed primarily based upon prospectively determined rates.

Wisconsin's Economic Recovery Act includes a tax assessment on hospital and ambulatory surgery center revenues. Funds collected under the tax are used to increase federal funding for the Wisconsin Medicaid program. FH recognized \$42,725 and \$43,882 of increased Medicaid reimbursement and \$32,569 and \$31,789 of tax expense as a result of the law for the years ended June 30, 2013 and 2012, respectively. The increased Medicaid reimbursement and tax assessment expense are recorded in net patient service revenue and other expense, respectively, in the 2013 and 2012 consolidated statements of operations.

There are various other proposals at the federal and state levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, or increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The percentage of net patient service revenue applicable to services provided to Medicare and Medicaid patients was approximately 35% and 34% for the years ended June 30, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. FH believes it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations may be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

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FH has received notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contract (RAC) program. FH is responding to these requests. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse impact on FH's net patient service revenue.

FH, FMLH, CMH, SJCH, WBC, and FPP also have entered into reimbursement agreements with certain commercial insurance carriers and managed care organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

For the years ended June 30, 2013 and 2012, the consolidated statements of operations include \$6,000 and \$(795), respectively, as an increase (decrease) in net patient service revenue for changes in prior year estimates related to third-party contractual allowances and retroactive settlements with third-party payors. Additionally, the consolidated statement of operations for the year ended June 30, 2012 contains an increase in net patient service revenue of \$7,953 related to a one-time Medicare budget neutrality settlement related to previous fiscal years.

The Medical Electronic Health Record (EHR) Incentive Program (the Program) provides incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. FH accounts for the Program using International Accounting Standards 20 (IAS20), *Accounting for Government Grants and Disclosures of Government Assistance*. FH applies the "ratable recognition" approach, which states that the grant income can be recognized ratably over the entire "EHR" reporting period once the "reasonable assurance" income recognition threshold of IAS20 is met. For the years ended June 30, 2013 and 2012, FH recognized \$7,306 and \$2,322, respectively, as other revenue related to Medicare and Medicaid EHR incentives, which have been received or are expected to be received based on certifications prepared by management under the appropriate guidelines for stage 1 attestation.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, FH analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, FH analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), FH records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is

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charged off against the allowance for doubtful accounts. Write-offs associated with self-pay patients were \$68,176 in 2012 and \$71,131 in 2013. FH has not changed its charity care or uninsured discount policies during the fiscal years 2012 or 2013.

FH recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, FH recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of FH's uninsured patients will be unable or unwilling to pay for the services provided. Thus, FH records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (before the provision for bad debts), is recognized in the period from these major payor sources, as follows:

	<u>2013</u>	<u>2012</u>
Medicare	\$ 411,154	360,978
Medicaid	109,986	112,681
Managed care/contracted payor	797,989	743,078
Self Pay	72,841	80,606
Other	<u>109,928</u>	<u>83,626</u>
Net patient service revenue before bad debt	<u>\$ 1,501,898</u>	<u>1,380,969</u>

(9) Concentration of Credit Risk

FH grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors as of June 30, 2013 and 2012 is as follows:

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Medicare	21%	17%
Medicaid	7	12
Managed care / contracted payor	38	42
Self-pay	27	24
Other	<u>7</u>	<u>5</u>
	<u>100%</u>	<u>100%</u>

(10) Charity Care

FH provides uncompensated care based on the cost of providing care to patients, in accordance with established policies. FH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because FH does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. FH applies the provisions

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of ASU 2010-23, *Measuring Charity Care for Disclosure*, which requires that cost be used as the measurement basis for charity care disclosure purposes and that cost can be identified as direct and indirect costs of providing charity care. The amount of cost incurred for services and supplies furnished under FH's charity care policy was \$19,510 and \$17,375 for the years ended June 30, 2013 and 2012, respectively.

(11) Related Organizations and Other Significant Transactions

(a) *Unconsolidated Affiliates*

United/Dynacare, LLC is an independent diagnostic services provider of which FH has a 50% ownership interest. The investment in United/Dynacare, LLC of \$14,233 and \$13,345 at June 30, 2013 and 2012, respectively, is included in investments in unconsolidated affiliates on the consolidated balance sheets. FH purchased services of approximately \$43,919 and \$41,066 from United/Dynacare, LLC for the years ended June 30, 2013 and 2012, respectively, which are included in contract services in the consolidated statements of operations.

During 2013, FH entered into a joint venture, Fresenius Medical Care Midwest Dialysis (Fresenius), with two unrelated parties. FH has a 15% ownership interest in the joint venture. The investment in Fresenius of approximately \$8,518 at June 30, 2013 is included in investments in unconsolidated affiliates on the consolidated balance sheet.

The following represents summary financial data (unaudited) for all unconsolidated affiliates, including those described above:

	2013	2012
Current assets	\$ 69,841	47,534
Current liabilities	20,305	15,355
Working capital	49,536	32,179
Property and equipment, net	44,547	42,884
Other long-term assets	70,365	19,625
Long-term liabilities	30,066	23,625
Net assets	\$ 134,382	71,063
Revenues	\$ 192,738	165,624
Expenses	154,826	131,569
Excess of revenues over expenses	\$ 37,912	34,055

(b) *United Hospital System, Inc.*

FMLH entered into a membership and affiliation agreement with United Hospital System, Inc. (UHS), a not-for-profit corporation located in Kenosha, Wisconsin, in 2001 for the purpose of integrating activities in order to benefit the patients and communities served. FMLH records its investment in UHS of \$15,000 under the cost basis. The investment in UHS is noninterest bearing

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and unsecured. The investment is included in deferred financing costs and other assets on the consolidated balance sheets.

(c) Noncontrolling Interest in Consolidated Joint Venture

FH applies the guidance under ASC No. 810, *Consolidation*, for the presentation of noncontrolling interests, reporting it as a separate component of net assets and including a schedule reconciling beginning and ending balances of controlling and noncontrolling interests of net assets in the notes to the consolidated financial statements.

Changes in unrestricted net assets attributable to FH and to noncontrolling interest in consolidated joint ventures for June 30 are as follows:

	Total	Controlling interest	Non controlling interest
Balance, June 30, 2011	\$ 1,071,632	1,070,507	1,125
Revenues and gains in excess of expenses and losses	74,348	73,853	495
Contributions and net assets released from restrictions for property, plant, and equipment	2,176	2,176	—
Change in accrued pension benefits other than net periodic benefit costs	(26,258)	(26,258)	—
Other	396	196	200
Changes in net assets	50,662	49,967	695
Balance, June 30, 2012	1,122,294	1,120,474	1,820
Revenues and gains in excess of expenses and losses	179,263	178,855	408
Changes in net unrealized gains and losses on other-than-trading securities	(1,218)	(1,218)	—
Contributions and net assets released from restrictions for property, plant, and equipment	3,457	3,457	—
Change in accrued pension benefits other than net periodic benefit costs	26,372	26,372	—
Other	308	269	39
Changes in net assets	208,182	207,735	447
Balance, June 30, 2013	\$ 1,330,476	1,328,209	2,267

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(12) Employee Benefit Plans

(a) Defined Contribution Plans

FMLH previously sponsored a defined contribution pension plan and a 403(b) thrift plan covering substantially all FMLH employees, which were frozen effective December 31, 2007.

Community Health Care Services of Menomonee Falls, Inc. (CHCS) previously sponsored a 403(b) thrift plan and a 401(a) plan, which were frozen effective December 31, 2007. Sponsorship of the CHCS 401(a) plan was transferred to FH and effective January 1, 2011 renamed the Froedtert Health, Inc. 401 (a) Retirement Plan (FH Retirement Plan).

FH created a new 403(b) plan, the Froedtert & Community Health, Inc. 403(b) Plan (F&CH 403(b) Plan) covering the employees of FH, FMLH, and CMH effective January 1, 2008, employees of SJCH and WBC effective January 1, 2010, and employees of FPP effective September 3, 2010. The F&CH 403(b) plan provides a nonelective employer contribution, which varies based on employee's service from 3% of pay for employees with less than 10 years of service to 5% of pay for employees with 26 or more years of service. The nonelective employer contribution is also provided for those employees that no longer qualify for future service in the CMH defined benefit plan. It also provides a matching employer contribution of 50% of the first 5% of pay deferred by an employee. FH's contributions to these plans are made annually. FH's pension expense for the plan was approximately \$20,448 and \$23,508 for the years ended June 30, 2013 and 2012, respectively.

(b) Defined Benefit Plans

FMLH has a defined benefit plan (the FMLH Plan) that covers certain former Milwaukee County employees who became employees of FMLH. FMLH and United/Dynacare, LLC are responsible for funding 10% of the FMLH Plan, with Milwaukee County funding 90%. FMLH has recorded the difference between the projected benefit obligation and the fair market value of plan. There is a corresponding long-term receivable from United/Dynacare, LLC and Milwaukee County for their portion of the unfunded projected benefit obligation of \$11,634 and \$22,380 at June 30, 2013 and 2012, respectively, included in deferred financing costs and other assets, net in the consolidated balance sheets. FMLH's pension expense for the FMLH Plan was approximately \$720 and \$373 for the years ended June 30, 2013 and 2012, respectively.

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Data relative to the FMLH Plan for the years ended June 30, 2013 and 2012 follows:

	2013	2012
Change in pension benefit obligation:		
Projected benefit obligation at beginning of year	\$ 66,475	52,073
Service cost	1,140	992
Interest cost	2,600	2,821
Actuarial (gain) loss	(8,867)	12,415
Expenses paid	(346)	(269)
Benefits paid	(1,745)	(1,557)
Projected benefit obligation at end of year	<u>59,257</u>	<u>66,475</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	39,425	38,232
Actual return on plan assets	5,831	729
Employer contributions	2,796	2,290
Expenses paid	(346)	(269)
Benefits paid	(1,745)	(1,557)
Fair value of plan assets at end of year	<u>45,961</u>	<u>39,425</u>
Funded status	<u>\$ (13,296)</u>	<u>(27,050)</u>
	2013	2012
Amounts not yet reflected in net periodic benefit costs and included as an accumulated reduction to unrestricted net assets:		
Prior service cost	\$ 51	98
Accumulated loss	<u>9,206</u>	<u>23,770</u>
Unrecognized pension costs	<u>\$ 9,257</u>	<u>23,868</u>
Net periodic pension cost is comprised of the following:		
Service cost	\$ 1,140	993
Interest cost on projected benefit obligation	2,600	2,821
Expected return on plan assets	(2,785)	(2,842)
Net amortization and deferral	47	41
Recognized actuarial loss	<u>2,651</u>	<u>714</u>
Net periodic pension cost	<u>\$ 3,653</u>	<u>1,727</u>

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	<u>2013</u>	<u>2012</u>
Assumptions used:		
Discount rate for measurement of pension obligation	4.99%	3.98%
Discount rate for determining net periodic pension cost	3.98	5.53
Rate of increase in compensation levels	4.00	4.00
Expected return of plan assets	7.00	7.50

The long-term rate of return on assets reflects historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio. FMLH'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 total return at an appropriate level of investment risk.

As of June 30, 2013, the Mercer Above Mean Yield Curve was used to select the discount rate used to measure liabilities of the FMLH Plan. The FMLH Plan used the Mercer Pension Discount Yield Curve to select the discount rates used to measure the liabilities of the FMLH Plan as of June 30, 2012.

The employer contribution for the FMLH Plan for the year ending June 30, 2014 is estimated to be \$3,185. The benefits expected to be paid in each year from 2014 through 2018 are expected to be \$2,557, \$2,785, \$2,992, \$3,210, and \$3,467, respectively. The aggregate benefits to be paid in the five years from 2019 through 2023 are expected to be \$19,496. The expected benefits to be paid are based on the same assumptions used to measure the projected benefit obligation at June 30, 2013.

The amounts that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2014 are estimated to be \$47.

The weighted average asset allocation of the pension plan at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Equity securities	63%	58%
Debt securities	35	40
Cash and cash equivalents	2	2
Total	<u>100%</u>	<u>100%</u>

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FMLH intends to provide an appropriate range on investment options that span the risk/return spectrum. The investment options will allow for construction of a portfolio consistent with plan circumstances, goals, time horizons, and tolerance for risk. Major asset classes to be offered include:

<u>Asset class</u>	<u>Target percentage</u>
Equity securities	50% – 70%
Debt securities	30% – 50%
Other	—%

CMH is the sponsor of a noncontributory, defined benefit pension plan (the CMH Plan), which covers substantially all employees of CMH who work at least 1,000 hours in a 12-consecutive month period. CMH funds the amount calculated by the CMH Plan's consulting actuary to meet the minimum Employee Retirement Income Security Act funding requirements. The CMH Plan uses the projected-unit-credit-cost actuarial method. The CMH Plan amortizes prior service cost on a straight-line basis over the average remaining service period of employees expected to receive benefits under the CMH Plan. Actuarial gains or losses are deferred to the extent that, as of the beginning of the year, the unrecognized net gain or loss does not exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets. If recognition is required, the excess gain or loss is amortized in the same manner as the prior service cost.

Effective December 31, 2007, the CMH Plan no longer accepted new participants. No additional benefits will accrue for participants who have not attained age 40 or those with less than five years of vesting service as of December 31, 2007. Participation in a defined contribution plan was offered to participants who were affected by this change.

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Data relative to the CMH Plan for the years ended June 30, 2013 and 2012 follows:

	June 30	
	2013	2012
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 106,315	79,667
Service cost	2,909	2,636
Interest cost	4,350	4,452
Actuarial (gain) loss	(12,724)	21,938
Expenses paid	(413)	(368)
Benefits paid	(2,302)	(2,010)
Projected benefit obligation at end of year	<u>98,135</u>	<u>106,315</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	59,682	55,545
Actual return on plan assets	8,999	1,175
Employer contributions	5,271	5,340
Expenses paid	(413)	(368)
Benefits paid	(2,302)	(2,010)
Fair value of plan assets at end of year	<u>71,237</u>	<u>59,682</u>
Funded status	<u>\$ (26,898)</u>	<u>(46,633)</u>
	June 30	
	2013	2012
Amounts not yet reflected in net periodic benefit costs and included as an accumulated reduction to unrestricted net assets:		
Prior service cost	\$ 148	193
Accumulated loss	<u>25,322</u>	<u>47,434</u>
Unrecognized pension costs	<u>\$ 25,470</u>	<u>47,627</u>
Net periodic pension cost consists of the following:		
Service cost	\$ 2,909	2,636
Interest cost	4,350	4,452
Expected return on plan assets	(4,317)	(4,104)
Net amortization and deferral	45	45
Recognized actuarial loss	<u>4,706</u>	<u>2,220</u>
Net periodic pension cost	<u>\$ 7,693</u>	<u>5,249</u>

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	June 30	
	2013	2012
Assumptions used:		
Discount rate for measurement of pension obligation	5.14%	4.14%
Discount rate for determining net periodic pension cost	4.14	5.67
Rate of increase in compensation levels	3.30 – 4.00	3.30 – 4.00
Expected long-term rate of return on assets	7.00	7.50

The long-term rate of return on assets reflects historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio. CMH'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 investments' total return at an appropriate level of investment risk.

As of June 30, 2013, the Mercer Above Mean Yield Curve was used to select the discount rate used to measure liabilities of the CMH Plan. The CMH Plan used the Mercer Pension Discount Yield Curve to select the discount rates used to measure the liabilities of the CMH Plan as of June 30, 2012.

The minimum employer contributions for the CMH Plan for the year ending June 30, 2014 are estimated to be \$5,861. The benefits expected to be paid in each year from 2014 through 2018 are \$2,830, \$3,110, \$3,393, \$3,824, and \$4,302, respectively. The aggregate benefits to be paid in the five years from 2019 through 2023 are \$30,269. The expected benefits to be paid are based on the same assumptions used to measure the projected benefit obligation at June 30, 2013.

The amounts that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2014 are estimated to be \$43.

The weighted average asset allocation of the CMH Plan at June 30 follows:

	June 30	
	2013	2012
Equity securities	63%	58%
Debt securities	35	40
Other	2	2
Total	100%	100%

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CMH intends to provide an appropriate range on investment options that span the risk/return spectrum. The investment options will allow for construction of a portfolio consistent with plan circumstances, goals, time horizons, and tolerance for risk. Major asset classes to be offered include:

<u>Asset class</u>	<u>Target percentage</u>
Equity securities	50% – 70%
Debt securities	30% – 50%
Other	—%

Fair Value Measurements

The following methods and assumptions were used by FH in estimating the fair value of its financial instruments of the FMLH and CMH defined benefit plans (the Plans):

- Fair values of the Plans' investments are estimated based on prices provided by its investment managers and its custodian bank. Fair value for cash and cash equivalents, corporate stocks, pooled equity funds, international equity funds, U.S. government securities, corporate and foreign bonds, and annuity contracts are measured using quoted market prices; other observable inputs such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets at the reporting date multiplied by quantity held.

Fair Value Hierarchy

The Plans apply the provisions of ASC Subtopic No. 715-20-50, *Defined Benefit Plans – Disclosure*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic No. 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

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The following table presents the Plans' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2013:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Plan assets				
Collateral for securities loaned	\$ 70,717	—	70,717	—
Investments				
Cash and short-term investments consisting of money market funds	2,595	2,595	—	—
Corporate stocks	43,116	43,116	—	—
Pooled equity funds	18,594	18,594	—	—
International equity funds	11,163	11,163	—	—
Corporate and foreign bonds	18,298	—	18,298	—
U S government securities	21,084	—	21,084	—
Annuity contract	2,348	—	—	2,348
Total	\$ 187,915	75,468	110,099	2,348
Liabilities				
Payable under securities lending agreement	\$ 70,717	—	70,717	—

The following table is a rollforward of the Plan's assets and liabilities that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2012	\$ 1,887
Gains/losses and investment income, net	(212)
Purchases, issuances, and write-offs, net	73
Contributions, disbursements, net	600
Fair value at June 30, 2013	<u>\$ 2,348</u>

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The following table presents the Plans' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2012:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Plan assets				
Collateral for securities loaned	\$ 60,504	—	60,504	—
Investments				
Cash and short-term investments consisting of money market funds	2,436	—	2,436	—
Corporate stocks	35,614	35,614	—	—
Pooled equity funds	14,987	14,987	—	—
International equity funds	9,085	9,085	—	—
Corporate and foreign bonds	15,196	—	15,196	—
U S government securities	19,902	—	19,902	—
Annuity contract	1,887	—	—	1,887
Total	\$ 159,611	59,686	98,038	1,887
Liabilities				
Payable under securities lending agreement	\$ 60,504	—	60,504	—

The following table is a rollforward of the Plan's assets and liabilities that were classified by FH within Level 3 of the fair value hierarchy as defined above:

Fair value at June 30, 2011	\$ 3,676
Gains/losses and investment income, net	279
Purchases, issuances, and write-offs, net	32
Disbursements, net	(2,100)
Fair value at June 30, 2012	<u>\$ 1,887</u>

FH has a securities lending agreement with a financial institution whereby fixed income and equity securities are loaned to third parties in exchange for cash collateral that exceeds the market value of

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the securities loaned. Collateral is marked to market daily to reflect changes in fair value of the securities loaned. The fair market value of the securities loaned under this arrangement was \$68,805 and \$59,054 at June 30, 2013 and 2012, respectively. The fair market value of the collateral received under this arrangement was \$70,717 and \$60,504 at June 30, 2013 and 2012, respectively. Under the terms of the securities lending agreement, FH is not entitled to the unrealized gains on the invested collateral and as such has not recognized the unrealized gains at June 30, 2013 and 2012. The fair value of collateral was 102.8% and 102.5% of the fair value of securities loaned at June 30, 2013 and 2012, respectively.

(c) *Postretirement Medical Plan*

FMLH has an unfunded postretirement medical plan (the FMLH Medical Plan) that covers certain former Milwaukee County employees who became employees of FMLH. These employees had less than 15 years of vesting service and were not vested in Milwaukee County's postretirement medical benefit plan. FMLH is responsible for providing the postretirement benefit coverage for this population if they achieve 15 years of vesting service (Milwaukee County & Froedtert combined) and they retire from FMLH.

The projected benefit obligation at June 30, 2013 and 2012 using a discount rate of 5.02% and 4.00% was \$3,342 and \$4,017, respectively, of which \$138 and \$117, respectively, are included in short-term liabilities and \$3,204 and \$3,900, respectively, are included in other long-term liabilities in the consolidated balance sheets.

(13) Professional Liability Insurance

FMLH, CMH, SJCH, WBC, and FPP have professional liability insurance for claim losses of less than \$1,000 per claim and \$3,000 per year for professional liability claims incurred during a policy year, regardless of when the claim is reported (claims-occurred basis). Losses in excess of these amounts are covered through the FMLH, CMH, SJCH, WBC, and FPP mandatory participation in the Injured Patients' and Families Compensation Fund of the State of Wisconsin. FH applies the provisions of ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a healthcare entity should not net insurance recoveries against a related malpractice claim liability or similar liability and which is consistent with the guidelines in ASC Subtopic 210-20, *Balance Sheet – Offsetting*. FH has recorded an estimated insurance recovery of \$2,727 and \$1,900 at June 30, 2013 and 2012, respectively, and a related insurance liability of \$2,100 and \$1,900 at June 30, 2013 and 2012, respectively.

(14) Commitments and Contingencies

(a) *Leases*

FH, FMLH, CMH, SJCH, WBC, FPP, and PPN lease equipment and office space under the terms of various operating leases. Rent expense for these leases was \$26,352 and \$26,507 for the years ended June 30, 2013 and 2012, respectively, included in the consolidated statements of operations.

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Future minimum operating lease payments, excluding the land lease with Milwaukee County (note 5), that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012 are as follows:

2014	\$	10,518
2015		10,667
2016		10,357
2017		8,983
2018		6,884
Thereafter		16,041

FMLH has agreed to lease certain space to MCW through the year 2025 under an operating lease that calls for a base rent and additional rent allocated for the expenses incurred. Rental income of \$5,740 and \$6,764 for space leased to MCW is included in other operating revenue for the years ended June 30, 2013 and 2012, respectively, in the consolidated statements of operations. Also included in other operating revenue for the years ended June 30, 2013 and 2012 was a total of \$3,531 and \$3,544, respectively, for certain other leased space to MCW and United/Dynacare, LLC. Future minimum lease revenue for the leases with MCW and United/Dynacare, LLC are \$2,066 for 2014 and 2015, \$1,428 for 2016 and 2017, and \$18,564 thereafter.

(b) Health Insurance

FMLH, CMH, SJCH, WBC, and FPP have self-insured health plans that cover substantially all liability for health costs associated with claims for employees up to certain limits under a commercial stop-loss agreement. Provisions for self-insured health claims include the ultimate cost of claims reported and claims incurred but not reported as of the consolidated balance sheet dates. Included in other accrued expenses at June 30, 2013 and 2012 are estimated amounts payable for health insurance claims incurred as of such dates of \$6,474 and \$5,603, respectively.

(c) Litigation

FH is subject to various legal proceedings and claims that are incidental to its normal business activities. In the opinion of FH, the amount of ultimate liability with respect to these actions will not materially affect the consolidated operations or net assets of FH.

(d) Regulatory Investigation and Other

The U.S. Department of Justice (DOJ) and other federal agencies routinely conduct regulatory investigations and compliance audits of health care providers. FH is subject to these regulatory efforts. Additionally, the laws and regulations governing the Medicare, Medicaid, and other government health care programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for FH and other health care organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. FH maintains a system-wide compliance program and conducts audits and other activities to identify potential compliance issues,

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollar amounts in thousands)

including overpayments to governmental payors. Management is currently unaware of any regulatory or compliance matters that may have a material adverse effect on FH's consolidated financial position or results of operations.

(e) *The Patient Protection and Affordable Care Act*

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (often referred to, collectively, as the Affordable Care Act of the health care reform law), was signed into law on March 23, 2010. The statute will change how health care services are delivered and reimbursed through a variety of mechanisms. The law contains stronger antifraud enforcement provisions and provides additional funding for enforcement activity.

On May 6, 2011, CMS issued a final rule establishing a value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, incentive payments will be made based on achievement of or improvement in a set of clinical and quality measures designed to foster improved clinical outcomes. FH continues to monitor the impact of this and other proposed regulations as they become finalized.

(15) Claims and Settlements

The consolidated statements of operations contain adjustments to operating expenses relating to one-time settlements of \$549 and \$(27,195) in 2013 and 2012, respectively. A summary of these nonrecurring settlements are as follows:

(a) *Building Defect Settlement*

In 2013 and 2012, an affiliate of FH received \$1,725 and \$15,564, respectively, relating to settlement of a lawsuit involving failures in the building shell of an addition that was constructed in 2001. The settlement covers the estimated cost of repairs for the building, business interruption, attorney fees, and other related costs.

(b) *FICA Settlement*

The Medical College of Wisconsin Affiliated Hospitals, Inc. (MCWAH) has received refunds from the Internal Revenue Service (IRS) of the employer portion of FICA paid by FMLH during certain past periods dating back to 1998. These refunds were returned to FMLH in July 2012 as a return of the stipend and benefit support that was provided for house staff in training during those periods. The amounts that were returned to FMLH totaled \$11,631 and represented a return of employer FICA paid of \$6,033 and interest of \$5,598. During 2013, \$2,800 of the refund previously received was returned to the IRS due to an adjustment in the interest calculation.

(c) *Other Settlement*

In April 2013, an affiliate of FH received \$526 relating to a settlement resulting from the effect of a defective herbicide. The settlement covers the estimated cost of replacement.

FROEDTERT HEALTH, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollar amounts in thousands)

(16) Subsequent Events

FH and MCW are pursuing ways to enhance operational and clinical integration to provide coordinated patient care in the communities they serve, and, to that end, have created Froedtert & the Medical College of Wisconsin Community Physicians, a joint clinical practice group to serve patients at FH and MCW community clinics.

Effective July 1, 2013, WBC has dissolved, merged all of its assets and liabilities into FPP and was removed as a member of the Obligated Group. FPP then subsequently changed its name to Froedtert & the Medical College of Wisconsin Community Physicians (CP). FH and MCW are the corporate members of CP. CP is not a member of the Obligated Group.

Subsequent events have been evaluated through September 13, 2013 which is the date the financial statements were available to be issued, noting no additional subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2013

(In thousands)

	Froedtert Memorial Lutheran Hospital	Froedtert Hospital Foundation	Froedtert Surgerv Center	Eliminations and consolidating entries	Consolidated Froedtert Memorial Lutheran Hospital
Assets					
Current assets					
Cash and cash equivalents	\$ 44,539	824	2,012	—	47,375
Assets whose use is limited	—	—	—	—	—
Patient accounts receivable, net of estimated uncollectibles of \$45,500	138,783	—	808	—	139,591
Other receivables	4,872	1,392	—	(552)	5,712
Inventories	14,649	—	146	—	14,795
Collateral held for securities loaned	229,380	—	—	—	229,380
Prepays and other	3,075	—	30	—	3,105
Total current assets	435,298	2,216	2,996	(552)	439,958
Investments	806,289	11,901	—	—	818,190
Assets whose use is limited or restricted	143,774	8,479	—	(22,122)	130,131
Investments in unconsolidated affiliates	1,970	—	—	(1,929)	41
Property, plant, and equipment, net	356,351	—	1,477	—	357,828
Deferred financing costs and other assets, net	29,261	—	—	—	29,261
Total assets	\$ 1,772,943	22,596	4,473	(24,603)	1,775,409
Liabilities and Net Assets					
Current liabilities					
Current installments of long-term debt	\$ 7,450	—	—	—	7,450
Accounts payable	19,772	473	356	(552)	20,049
Accrued expenses	59,661	—	259	—	59,920
Payable under securities lending agreement	229,380	—	—	—	229,380
Estimated settlements to third-party payors	5,529	1	—	—	5,530
Total current liabilities	321,792	474	615	(552)	322,329
Long-term debt, less current installments	406,323	—	—	—	406,323
Other long-term liabilities	38,819	—	—	—	38,819
Total liabilities	766,934	474	615	(552)	767,471
Net assets (deficit)					
Unrestricted					
Unrestricted net assets of Froedtert Health, Inc. and Affiliates	983,887	13,624	3,858	(3,858)	997,511
Noncontrolling interests in consolidated joint ventures	—	—	—	1,929	1,929
Total unrestricted	983,887	13,624	3,858	(1,929)	999,440
Temporarily restricted	21,756	8,132	—	(21,756)	8,132
Permanently restricted	366	366	—	(366)	366
Total net assets	1,006,009	22,122	3,858	(24,051)	1,007,938
Total liabilities and net assets	\$ 1,772,943	22,596	4,473	(24,603)	1,775,409

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2013

(In thousands)

Schedule 1

Assets	Community Memorial Hospital	Community Memorial Foundation	Community Outpatient Health Services	Eliminations and consolidating entries	Consolidated Community Memorial Hospital
Current assets					
Cash and cash equivalents	\$ 26,682	1,079	29	—	27,790
Assets whose use is limited	690	—	—	—	690
Patient accounts receivable, net of estimated uncollectibles of \$45,500	20,972	—	—	—	20,972
Other receivables	4,800	47	204	(322)	4,729
Inventories	3,877	—	—	—	3,877
Collateral held for securities loaned	37,466	—	—	—	37,466
Prepays and other	1,389	—	—	—	1,389
Total current assets	95,876	1,126	233	(322)	96,913
Investments	124,334	1,854	—	—	126,188
Assets whose use is limited or restricted	3,613	3,466	—	—	7,079
Investments in unconsolidated affiliates	12,339	—	—	(6,101)	6,238
Property, plant, and equipment, net	85,301	—	—	—	85,301
Deferred financing costs and other assets, net	261	—	—	—	261
Total assets	\$ 321,724	6,446	233	(6,423)	321,980
Liabilities and Net Assets					
Current liabilities					
Current installments of long-term debt	\$ 1,205	—	—	—	1,205
Accounts payable	4,806	324	10	(322)	4,818
Accrued expenses	6,267	22	—	(1)	6,288
Payable under securities lending agreement	37,466	—	—	—	37,466
Estimated settlements to third-party payors	176	—	—	—	176
Total current liabilities	49,920	346	10	(323)	49,953
Long-term debt, less current installments	54,525	—	—	—	54,525
Other long-term liabilities	31,457	—	—	—	31,457
Total liabilities	135,902	346	10	(323)	135,935
Net assets (deficit)					
Unrestricted					
Unrestricted net assets of Froedtert Health, Inc. and Affiliates	184,547	4,825	223	(4,825)	184,770
Noncontrolling interests in consolidated joint ventures	—	—	—	—	—
Total unrestricted	184,547	4,825	223	(4,825)	184,770
Temporarily restricted	1,275	1,275	—	(1,275)	1,275
Permanently restricted	—	—	—	—	—
Total net assets	185,822	6,100	223	(6,100)	186,045
Total liabilities and net assets	\$ 321,724	6,446	233	(6,423)	321,980

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2013

(In thousands)

Schedule I

	St. Joseph's Community Hospital	St. Joseph's Community Foundation	Eliminations and consolidating entries	Consolidated St. Joseph's Community Hospital
Assets				
Current assets				
Cash and cash equivalents	\$ 9,952	1,041	—	10,993
Assets whose use is limited	372	—	—	372
Patient accounts receivable, net of estimated uncollectibles of \$45,500	12,101	—	—	12,101
Other receivables	1,447	158	(230)	1,375
Inventories	2,008	—	—	2,008
Collateral held for securities loaned	—	—	—	—
Prepays and other	122	—	—	122
Total current assets	26,002	1,199	(230)	26,971
Investments	26,851	33,441	—	60,292
Assets whose use is limited or restricted	341	7,863	—	8,204
Investments in unconsolidated affiliates	20	—	—	20
Property, plant, and equipment, net	79,201	—	—	79,201
Deferred financing costs and other assets, net	561	—	—	561
Total assets	\$ 132,976	42,503	(230)	175,249
Liabilities and Net Assets				
Current liabilities				
Current installments of long-term debt	\$ 569	—	—	569
Accounts payable	2,938	230	(230)	2,938
Accrued expenses	4,427	—	—	4,427
Payable under securities lending agreement	—	—	—	—
Estimated settlements to third-party payors	496	—	—	496
Total current liabilities	8,430	230	(230)	8,430
Long-term debt, less current installments	57,858	—	—	57,858
Other long-term liabilities	2,476	—	—	2,476
Total liabilities	68,764	230	(230)	68,764
Net assets (deficit)				
Unrestricted				
Unrestricted net assets of Froedtert Health, Inc. and Affiliates	64,068	41,915	—	105,983
Noncontrolling interests in consolidated joint ventures	—	—	—	—
Total unrestricted	64,068	41,915	—	105,983
Temporarily restricted	144	356	—	500
Permanently restricted	—	2	—	2
Total net assets	64,212	42,273	—	106,485
Total liabilities and net assets	\$ 132,976	42,503	(230)	175,249

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2013

(In thousands)

Schedule I

		Froedtert Health, Inc. (Parent Only)	Froedtert Health Hometown Pharmacy	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc. (Parent Only)
Assets					
Current assets					
Cash and cash equivalents	\$	17,644	236	—	17,880
Assets whose use is limited		—	—	—	—
Patient accounts receivable, net of estimated uncollectibles of \$45,500		—	371	—	371
Other receivables		10,392	—	—	10,392
Inventories		—	496	—	496
Collateral held for securities loaned		—	—	—	—
Prepays and other		3,999	9	—	4,008
Total current assets		32,035	1,112	—	33,147
Investments		—	—	—	—
Assets whose use is limited or restricted		4,979	—	—	4,979
Investments in unconsolidated affiliates		35,669	—	(480)	35,189
Property, plant, and equipment, net		103,107	92	—	103,199
Deferred financing costs and other assets, net		1,132	170	—	1,302
Total assets	\$	<u>176,922</u>	<u>1,374</u>	<u>(480)</u>	<u>177,816</u>
Liabilities and Net Assets					
Current liabilities					
Current installments of long-term debt	\$	431	—	—	431
Accounts payable		5,638	556	—	6,194
Accrued expenses		70,698	—	—	70,698
Payable under securities lending agreement		—	—	—	—
Estimated settlements to third-party payors		—	—	—	—
Total current liabilities		76,767	556	—	77,323
Long-term debt, less current installments		61,794	—	—	61,794
Other long-term liabilities		—	—	—	—
Total liabilities		<u>138,561</u>	<u>556</u>	<u>—</u>	<u>139,117</u>
Net assets (deficit)					
Unrestricted					
Unrestricted net assets of Froedtert Health, Inc. and Affiliates		38,361	818	(818)	38,361
Noncontrolling interests in consolidated joint ventures		—	—	338	338
Total unrestricted		38,361	818	(480)	38,699
Temporarily restricted		—	—	—	—
Permanently restricted		—	—	—	—
Total net assets		<u>38,361</u>	<u>818</u>	<u>(480)</u>	<u>38,699</u>
Total liabilities and net assets	\$	<u><u>176,922</u></u>	<u><u>1,374</u></u>	<u><u>(480)</u></u>	<u><u>177,816</u></u>

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2013

(In thousands)

	West Bend Clinic	Froedtert Physician Partners	Progressive Physician Network	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc.
Assets					
Current assets					
Cash and cash equivalents	\$ 920	614	172	—	105,744
Assets whose use is limited	321	—	—	—	1,383
Patient accounts receivable, net of estimated uncollectibles of \$45,400	5,793	4,777	—	—	183,605
Other receivables	8,121	—	90	(19,709)	10,710
Inventories	355	56	—	—	21,587
Collateral held for securities loaned	—	—	—	—	266,846
Prepays and other	81	39	4	—	8,748
Total current assets	15,591	5,486	266	(19,709)	598,623
Investments	—	—	—	—	1,004,670
Assets whose use is limited or restricted	5,838	2,267	—	—	158,498
Investments in unconsolidated affiliates	—	—	—	—	41,488
Property, plant, and equipment, net	6,236	9,321	18	—	641,104
Deferred financing costs and other assets, net	960	10	—	—	32,355
Total assets	\$ 28,625	17,084	284	(19,709)	2,476,738
Liabilities and Net Assets					
Current liabilities					
Current installments of long-term debt	\$ —	—	—	—	9,655
Accounts payable	6,286	2,417	3,585	(19,709)	26,578
Accrued expenses	21,262	7,833	27	—	170,455
Payable under securities lending agreement	—	—	—	—	266,846
Estimated settlements to third-party payors	—	—	—	—	6,202
Total current liabilities	27,548	10,250	3,612	(19,709)	479,736
Long-term debt, less current installments	—	—	—	—	580,500
Other long-term liabilities	2,999	—	—	—	75,751
Total liabilities	30,547	10,250	3,612	(19,709)	1,135,987
Net assets (deficit)					
Unrestricted					
Unrestricted net assets of Froedtert Health, Inc. and Affiliates	(1,922)	6,834	(3,328)	—	1,328,209
Noncontrolling interests in consolidated joint ventures	—	—	—	—	2,267
Total unrestricted	(1,922)	6,834	(3,328)	—	1,330,476
Temporarily restricted	—	—	—	—	9,907
Permanently restricted	—	—	—	—	368
Total net assets	(1,922)	6,834	(3,328)	—	1,340,751
Total liabilities and net assets	\$ 28,625	17,084	284	(19,709)	2,476,738

See accompanying independent auditors' report

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2013

(In thousands)

	Froedtert Memorial Lutheran Hospital	Froedtert Hospital Foundation	Froedtert Surgery Center	Eliminations and consolidating entries	Consolidated Froedtert Memorial Lutheran Hospital
Net patient service revenue					
Net patient service revenue before provision for bad debt	\$ 1,075,511	—	7,799	—	1,083,310
Provision for bad debts	55,847	—	89	—	55,936
Net patient service revenue	1,019,664	—	7,710	—	1,027,374
Other operating revenue	37,630	2,384	—	(1,215)	38,799
Total revenue	1,057,294	2,384	7,710	(1,215)	1,066,173
Expenses					
Salaries	266,115	674	2,110	(674)	268,225
Fringe benefits	19,444	177	—	(177)	19,444
Supplies	205,782	3	1,815	—	207,600
Contract services	88,765	—	—	—	88,765
Affiliate support	70,451	—	—	—	70,451
Depreciation and amortization	32,926	—	385	—	33,311
Interest	12,315	—	—	—	12,315
Other	113,220	1,573	2,672	—	117,465
Corporate allocations	159,350	—	—	—	159,350
Claims and settlements	2,800	—	—	—	2,800
Total expenses	971,168	2,427	6,982	(851)	979,726
Operating revenue in excess (deficient) of expenses	86,126	(43)	728	(364)	86,447
Nonoperating gains and losses					
Investment income	31,497	412	—	—	31,909
Change in net unrealized gains and losses on trading securities	33,296	409	—	—	33,705
Change in fair value of interest rate swaps	14,046	—	—	—	14,046
Loss on early extinguishment of debt	—	—	—	—	—
Loss on disposal of property, plant, and equipment	(229)	—	—	—	(229)
Revenue and gains in excess of expenses and losses	164,736	778	728	(364)	165,878
Other changes in unrestricted net assets					
Transfers (to) from affiliates	(4,645)	—	—	—	(4,645)
Change in net unrealized gains and losses on other-than-trading securities	(1,218)	—	—	—	(1,218)
Contributions and net assets released from restriction for property, plant, and equipment	2,131	1,078	—	—	3,209
Change in accrued pension benefits other than net periodic benefit costs	4,215	—	—	—	4,215
Forgiveness of receivable from Foundation	(817)	817	—	—	—
Other	303	(28)	—	—	275
Increase in unrestricted net assets	164,705	2,645	728	(364)	167,714
Unrestricted net assets (deficit) at beginning of year	819,182	10,979	3,130	(1,565)	831,726
Unrestricted net assets (deficit) at end of year	\$ 983,887	13,624	3,858	(1,929)	999,440

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2013

(In thousands)

	Community Memorial Hospital	Community Memorial Foundation	Community Outpatient Health Services	Eliminations and consolidating entries	Consolidated Community Memorial Hospital
Net patient service revenue					
Net patient service revenue before provision for bad debt	\$ 186,854	—	—	—	186,854
Provision for bad debts	8,577	—	—	—	8,577
Net patient service revenue	178,277	—	—	—	178,277
Other operating revenue	6,265	770	949	(877)	7,107
Total revenue	184,542	770	949	(877)	185,384
Expenses					
Salaries	62,692	—	121	(171)	62,642
Fringe benefits	4,482	—	—	—	4,482
Supplies	33,051	—	300	—	33,351
Contract services	7,875	—	—	—	7,875
Affiliate support	—	—	—	—	—
Depreciation and amortization	7,852	—	—	—	7,852
Interest	2,397	—	—	—	2,397
Other	17,696	788	495	(315)	18,664
Corporate allocations	37,443	—	—	—	37,443
Claims and settlements	(1,725)	—	—	—	(1,725)
Total expenses	171,763	788	916	(486)	172,981
Operating revenue in excess (deficient) of expenses	12,779	(18)	33	(391)	12,403
Nonoperating gains and losses					
Investment income	5,037	198	—	—	5,235
Change in net unrealized gains and losses on trading securities	5,352	211	—	—	5,563
Change in fair value of interest rate swaps	2,979	—	—	—	2,979
Loss on early extinguishment of debt	(125)	—	—	—	(125)
Loss on disposal of property, plant, and equipment	(123)	—	—	—	(123)
Revenue and gains in excess of expenses and losses	25,899	391	33	(391)	25,932
Other changes in unrestricted net assets					
Transfers (to) from affiliates	(840)	—	—	—	(840)
Change in net unrealized gains and losses on other-than-trading securities	—	—	—	—	—
Contributions and net assets released from restriction for property, plant, and equipment	—	—	—	—	—
Change in accrued pension benefits other than net periodic benefit costs	22,157	—	—	—	22,157
Forgiveness of receivable from Foundation	—	—	—	—	—
Other	28	—	—	—	28
Increase in unrestricted net assets	47,244	391	33	(391)	47,277
Unrestricted net assets at beginning of year	137,303	4,434	190	(4,434)	137,493
Unrestricted net assets at end of year	\$ 184,547	\$ 4,825	\$ 223	\$ (4,825)	\$ 184,770

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2013

(In thousands)

	St. Joseph's Community Hospital	St. Joseph's Community Foundation	Eliminations and consolidating entries	Consolidated St. Joseph's Community Hospital
Net patient service revenue				
Net patient service revenue before provision for bad debt	\$ 99,109	—	—	99,109
Provision for bad debts	6,118	—	—	6,118
Net patient service revenue	92,991	—	—	92,991
Other operating revenue	3,155	326	—	3,481
Total revenue	96,146	326	—	96,472
Expenses				
Salaries	28,804	84	—	28,888
Fringe benefits	2,052	—	—	2,052
Supplies	16,768	81	—	16,849
Contract services	2,779	—	—	2,779
Affiliate support	—	—	—	—
Depreciation and amortization	5,446	—	—	5,446
Interest	2,856	—	—	2,856
Other	11,624	307	—	11,931
Corporate allocations	17,380	—	—	17,380
Claims and settlements	(526)	—	—	(526)
Total expenses	87,183	472	—	87,655
Operating revenue in excess (deficient) of expenses	8,963	(146)	—	8,817
Nonoperating gains and losses				
Investment income	1,081	1,592	—	2,673
Change in net unrealized gains and losses on trading securities	1,096	1,717	—	2,813
Change in fair value of interest rate swaps	—	—	—	—
Loss on early extinguishment of debt	(3,515)	—	—	(3,515)
Loss on disposal of property, plant, and equipment	(2)	—	—	(2)
Revenue and gains in excess of expenses and losses	7,623	3,163	—	10,786
Other changes in unrestricted net assets				
Transfers (to) from affiliates	(2,732)	(258)	—	(2,990)
Change in net unrealized gains and losses on other-than-trading securities	—	—	—	—
Contributions and net assets released from restriction for property, plant, and equipment	—	248	—	248
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—
Forgiveness of receivable from Foundation	(105)	105	—	—
Other	(34)	—	—	(34)
Increase in unrestricted net assets	4,752	3,258	—	8,010
Unrestricted net assets at beginning of year	59,316	38,657	—	97,973
Unrestricted net assets at end of year	\$ 64,068	41,915	—	105,983

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2013

(In thousands)

Schedule 2

	Froedtert Health, Inc. (Parent Only)	Froedtert Health Hometown Pharmacy	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc. (Parent Only)
Net patient service revenue				
Net patient service revenue before provision for bad debt	\$ —	3,389	—	3,389
Provision for bad debts	—	—	—	—
Net patient service revenue	—	3,389	—	3,389
Other operating revenue	269,273	—	(61)	269,212
Total revenue	269,273	3,389	(61)	272,601
Expenses				
Salaries	66,060	456	—	66,516
Fringe benefits	91,501	—	—	91,501
Supplies	5,016	2,586	—	7,602
Contract services	17,289	—	—	17,289
Affiliate support	—	—	—	—
Depreciation and amortization	10,160	20	—	10,180
Interest	4,597	11	—	4,608
Other	60,709	212	—	60,921
Corporate allocations	—	—	—	—
Claims and settlements	—	—	—	—
Total expenses	255,332	3,285	—	258,617
Operating revenue in excess of expenses	13,941	104	(61)	13,984
Nonoperating gains and losses				
Investment income	—	—	—	—
Change in net unrealized gains and losses on trading securities	—	—	—	—
Change in fair value of interest rate swaps	—	—	—	—
Loss on early extinguishment of debt	—	—	—	—
Loss on disposal of property, plant, and equipment	—	—	—	—
Revenue and gains in excess of expenses and losses	13,941	104	(61)	13,984
Other changes in unrestricted net assets				
Transfers (to) from affiliates	(31,639)	—	—	(31,639)
Change in net unrealized gains and losses on other-than-trading securities	—	—	—	—
Contributions and net assets released from restriction for property, plant, and equipment	—	—	—	—
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—
Forgiveness of receivable from Foundation	—	—	—	—
Other	(1)	75	(35)	39
Increase (decrease) in unrestricted net assets	(17,699)	179	(96)	(17,616)
Unrestricted net assets at beginning of year	56,060	639	(384)	56,315
Unrestricted net assets at end of year	\$ 38,361	818	(480)	38,699

Schedule 2

FROEDTERT HEALTH, INC. AND AFFILIATES

Consolidating Statement of Operations Information

Year ended June 30, 2013

(In thousands)

	West Bend Clinic	Froedtert Physician Partners	Progressive Physician Network	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc.
Net patient service revenue					
Net patient service revenue before provision for bad debt	\$ 76,016	53,220	—	—	1,501,898
Provision for bad debts	3,535	1,990	—	—	76,156
Net patient service revenue	72,481	51,230	—	—	1,425,742
Other operating revenue	3,463	2,142	111	(250,851)	73,464
Total revenue	75,944	53,372	111	(250,851)	1,499,206
Expenses					
Salaries	52,462	34,394	—	(479)	512,648
Fringe benefits	8,819	2,573	—	—	128,871
Supplies	5,739	5,180	—	(33)	276,288
Contract services	4,831	9,738	638	(2,503)	129,412
Affiliate support	—	—	—	—	70,451
Depreciation and amortization	1,435	1,734	4	—	59,962
Interest	—	—	—	—	22,176
Other	8,882	9,292	84	(12,782)	214,457
Corporate allocations	8,157	12,724	—	(235,054)	—
Claims and settlements	—	—	—	—	549
Total expenses	90,325	75,635	726	(250,851)	1,414,814
Operating revenue in excess (deficient) of expenses	(14,381)	(22,263)	(615)	—	84,392
Nonoperating gains and losses					
Investment income	—	—	—	—	39,817
Change in net unrealized gains and losses on trading securities	—	—	—	—	42,081
Change in fair value of interest rate swaps	—	—	—	—	17,025
Loss on early extinguishment of debt	—	—	—	—	(3,640)
Loss on disposal of property, plant, and equipment	(127)	69	—	—	(412)
Revenue and gains in excess (deficient) of expenses and losses	(14,508)	(22,194)	(615)	—	179,263
Other changes in unrestricted net assets					
Transfers (to) from affiliates	13,800	26,314	—	—	—
Change in net unrealized gains and losses on other-than-trading securities	—	—	—	—	(1,218)
Contributions and net assets released from restriction for property, plant, and equipment	—	—	—	—	3,457
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—	26,372
Forgiveness of receivable from Foundation	—	—	—	—	—
Other	—	—	—	—	308
Increase (decrease) in unrestricted net assets	(708)	4,120	(615)	—	208,182
Unrestricted net assets (deficit) at beginning of year	(1,214)	2,714	(2,713)	—	1,122,294
Unrestricted net assets (deficit) at end of year	\$ (1,922)	6,834	(3,328)	—	1,330,476

See accompanying independent auditors' report

FROEDTERT HEALTH, INC. AND AFFILIATES
Consolidating Statement of Changes in Net Assets Information
Year ended June 30, 2013
(In thousands)

	Froedtert Memorial Lutheran Hospital	Froedtert Hospital Foundation	Froedtert Surgery Center	Eliminations and consolidating entries	Consolidated Froedtert Memorial Lutheran Hospital
Unrestricted net assets					
Revenue in excess of expenses and losses	\$ 164,736	778	728	(364)	165,878
Transfers (to) from affiliates	(4,645)	—	—	—	(4,645)
Change in net unrealized gains and losses on other-than-trading securities	(1,218)	—	—	—	(1,218)
Net assets released from restrictions for property, plant, and equipment	2,131	1,078	—	—	3,209
Change in accrued pension benefits other than net periodic benefit costs	4,215	—	—	—	4,215
Forgiveness of receivable from Foundation	(817)	817	—	—	—
Other	303	(28)	—	—	275
Increase in unrestricted net assets	164,705	2,645	728	(364)	167,714
Unrestricted net assets at beginning of year	819,182	10,979	3,130	(1,565)	831,726
Unrestricted net assets at end of year	<u>\$ 983,887</u>	<u>13,624</u>	<u>3,858</u>	<u>(1,929)</u>	<u>999,440</u>
Temporarily restricted net assets					
Change in net unrealized gains on investments	\$ —	289	—	—	289
Restricted contributions	—	1,773	—	—	1,773
Restricted investment income	—	307	—	—	307
Net assets released from restrictions for operations	—	(406)	—	—	(406)
Net assets released from restrictions for property, plant, and equipment	(2,131)	(1,078)	—	—	(3,209)
Change in beneficial interest in foundations	—	—	—	—	—
Other	3,555	25	—	(3,555)	25
Increase (decrease) in temporarily restricted net assets	1,424	910	—	(3,555)	(1,221)
Temporarily restricted net assets at beginning of year	20,332	7,222	—	(18,201)	9,353
Temporarily restricted net assets at end of year	<u>\$ 21,756</u>	<u>8,132</u>	<u>—</u>	<u>(21,756)</u>	<u>8,132</u>
Permanently restricted net assets					
Permanently restricted net assets at beginning of year	\$ 366	366	—	(366)	366
Permanently restricted net assets at end of year	<u>\$ 366</u>	<u>366</u>	<u>—</u>	<u>(366)</u>	<u>366</u>

FROEDTERT HEALTH, INC. AND AFFILIATES
Consolidating Statement of Changes in Net Assets Information
Year ended June 30, 2013
(In thousands)

	Community Memorial Hospital	Community Memorial Foundation	Community Outpatient Health Services	Eliminations and consolidating entries	Consolidated Community Memorial Hospital
Unrestricted net assets					
Revenue in excess of expenses and losses	\$ 25,899	391	33	(391)	25,932
Transfers (to) from affiliates	(840)	—	—	—	(840)
Change in net unrealized gains and losses on other-than-trading securities	—	—	—	—	—
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	—
Change in accrued pension benefits other than net periodic benefit costs	22,157	—	—	—	22,157
Forgiveness of receivable from Foundation	—	—	—	—	—
Other	28	—	—	—	28
Increase in unrestricted net assets	47,244	391	33	(391)	47,277
Unrestricted net assets at beginning of year	137,303	4,434	190	(4,434)	137,493
Unrestricted net assets at end of year	<u>\$ 184,547</u>	<u>4,825</u>	<u>223</u>	<u>(4,825)</u>	<u>184,770</u>
Temporarily restricted net assets					
Change in net unrealized gains on investments	\$ —	18	—	—	18
Restricted contributions	—	327	—	—	327
Restricted investment income	—	16	—	—	16
Net assets released from restrictions for operations	—	(63)	—	—	(63)
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	—
Change in beneficial interest in foundations	309	—	—	(309)	—
Other	—	11	—	—	11
Increase (decrease) in temporarily restricted net assets	309	309	—	(309)	309
Temporarily restricted net assets at beginning of year	966	966	—	(966)	966
Temporarily restricted net assets at end of year	<u>\$ 1,275</u>	<u>1,275</u>	<u>—</u>	<u>(1,275)</u>	<u>1,275</u>
Permanently restricted net assets					
Permanently restricted net assets at beginning of year	\$ —	—	—	—	—
Permanently restricted net assets at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

FROEDTERT HEALTH, INC. AND AFFILIATES
Consolidating Statement of Changes in Net Assets Information
Year ended June 30, 2013
(In thousands)

	St. Joseph's Community Hospital	St. Joseph's Community Foundation	Eliminations and consolidating entries	Consolidated St. Joseph's Community Hospital
Unrestricted net assets				
Revenue in excess of expenses and losses	\$ 7,623	3,163	—	10,786
Transfers (to) from affiliates	(2,732)	(258)	—	(2,990)
Change in net unrealized gains and losses on other-than-trading securities	—	—	—	—
Net assets released from restrictions for property, plant, and equipment	—	248	—	248
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—
Forgiveness of receivable from Foundation	(105)	105	—	—
Other	(34)	—	—	(34)
Increase in unrestricted net assets	4,752	3,258	—	8,010
Unrestricted net assets at beginning of year	59,316	38,657	—	97,973
Unrestricted net assets at end of year	<u>\$ 64,068</u>	<u>41,915</u>	<u>—</u>	<u>105,983</u>
Temporarily restricted net assets				
Change in net unrealized gains on investments	\$ —	—	—	—
Restricted contributions	5	189	—	194
Restricted investment income	—	—	—	—
Net assets released from restrictions for operations	(9)	(66)	—	(75)
Net assets released from restrictions for property, plant, and equipment	—	(248)	—	(248)
Change in beneficial interest in foundations	—	—	—	—
Other	—	—	—	—
Increase (decrease) in temporarily restricted net assets	(4)	(125)	—	(129)
Temporarily restricted net assets at beginning of year	148	481	—	629
Temporarily restricted net assets at end of year	<u>\$ 144</u>	<u>356</u>	<u>—</u>	<u>500</u>
Permanently restricted net assets				
Permanently restricted net assets at beginning of year	\$ —	2	—	2
Permanently restricted net assets at end of year	<u>\$ —</u>	<u>2</u>	<u>—</u>	<u>2</u>

FROEDTERT HEALTH, INC. AND AFFILIATES
Consolidating Statement of Changes in Net Assets Information
Year ended June 30, 2013
(In thousands)

	Froedtert Health, Inc. (Parent Only)	Froedtert Health Hometown Pharmacy	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc. (Parent Only)
Unrestricted net assets				
Revenue in excess of expenses and losses	\$ 13,941	104	(61)	13,984
Transfers (to) from affiliates	(31,639)	—	—	(31,639)
Change in net unrealized gains and losses on other-than-trading securities	—	—	—	—
Net assets released from restrictions for property, plant, and equipment	—	—	—	—
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—
Forgiveness of receivable from Foundation	—	—	—	—
Other	(1)	75	(35)	39
	<u>(17,699)</u>	<u>179</u>	<u>(96)</u>	<u>(17,616)</u>
Increase (decrease) in unrestricted net assets				
Unrestricted net assets at beginning of year	56,060	639	(384)	56,315
Unrestricted net assets at end of year	<u>\$ 38,361</u>	<u>818</u>	<u>(480)</u>	<u>38,699</u>
Temporarily restricted net assets				
Change in net unrealized gains on investments	\$ —	—	—	—
Restricted contributions	—	—	—	—
Restricted investment income	—	—	—	—
Net assets released from restrictions for operations	—	—	—	—
Net assets released from restrictions for property, plant, and equipment	—	—	—	—
Change in beneficial interest in foundations	—	—	—	—
Other	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Increase (decrease) in temporarily restricted net assets				
Temporarily restricted net assets at beginning of year	—	—	—	—
Temporarily restricted net assets at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>
Permanently restricted net assets				
Permanently restricted net assets at beginning of year	\$ —	—	—	—
Permanently restricted net assets at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

FROEDTERT HEALTH, INC. AND AFFILIATES
Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2013

(In thousands)

	West Bend Clinic	Froedtert Physician Partners	Progressive Physician Network	Eliminations and consolidating entries	Consolidated Froedtert Health, Inc.
Unrestricted net assets					
Revenue in excess (deficient) of expenses and losses	\$ (14,508)	(22,194)	(615)	—	179,263
Transfers (to) from affiliates	13,800	26,314	—	—	—
Change in net unrealized gains and losses on other-than-trading securities	—	—	—	—	(1,218)
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	3,457
Change in accrued pension benefits other than net periodic benefit costs	—	—	—	—	26,372
Forgiveness of receivable from Foundation	—	—	—	—	—
Other	—	—	—	—	308
Increase (decrease) in unrestricted net assets	(708)	4,120	(615)	—	208,182
Unrestricted net assets (deficit) at beginning of year	(1,214)	2,714	(2,713)	—	1,122,294
Unrestricted net assets (deficit) at end of year	<u>\$ (1,922)</u>	<u>6,834</u>	<u>(3,328)</u>	<u>—</u>	<u>1,330,476</u>
Temporarily restricted net assets					
Change in net unrealized gains on investments	\$ —	—	—	—	307
Restricted contributions	—	—	—	—	2,294
Restricted investment income	—	—	—	—	323
Net assets released from restrictions for operations	—	—	—	—	(544)
Net assets released from restrictions for property, plant, and equipment	—	—	—	—	(3,457)
Change in beneficial interest in foundations	—	—	—	—	—
Other	—	—	—	—	36
Increase (decrease) in temporarily restricted net assets	—	—	—	—	(1,041)
Temporarily restricted net assets at beginning of year	—	—	—	—	10,948
Temporarily restricted net assets at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,907</u>
Permanently restricted net assets					
Permanently restricted net assets at beginning of year	\$ —	—	—	—	368
Permanently restricted net assets at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>368</u>
See accompanying independent auditors' report					