

TAX RETURN FILING INSTRUCTIONS

FORM 990

FOR THE YEAR ENDING

August 31, 2012

Prepared for	Bon Secours Hospital Baltimore, Inc. 2000 West Baltimore Street Baltimore, MD 21223-1558
Prepared by	Deloitte Tax LLP 1750 Tysons Blvd McLean, VA 22102-4219
Amount due or refund	Not applicable
Make check payable to	Not applicable
Mail tax return and check (if applicable) to	Not applicable
Return must be mailed on or before	Not applicable
Special Instructions	This return has been prepared for electronic filing. If you wish to have it transmitted electronically to the IRS, please sign, date, and return Form 8453-EO to our office. We will then submit the electronic return to the IRS. Do not mail a paper copy of the return to the IRS.

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)

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2011 calendar year, or tax year beginning SEP 1, 2011 and ending AUG 31, 2012

Form header section containing: B Check if applicable; C Name of organization (Bon Secours Hospital Baltimore, Inc.); D Employer identification number (52-0591555); E Telephone number (410) 362-3000; G Gross receipts \$ 138,792,340; H(a) Is this a group return for affiliates?; H(b) Are all affiliates included?; H(c) Group exemption number 0928; I Tax-exempt status; J Website; K Form of organization; L Year of formation; M State of legal domicile MD.

Part I Summary

Table with 3 columns: Description, Prior Year, Current Year. Rows include: 1 Briefly describe the organization's mission; 2-7a Activities & Governance; 7b Net unrelated business taxable income; 8-12 Revenue; 13-19 Expenses; 20-22 Net Assets or Fund Balances.

Part II Signature Block

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

Signature block form containing: Sign Here (Signature of officer Richard Jones, Chief Financial Officer); Paid Preparer (Print/Type preparer's name David A. Craig, Preparer's signature, Date, PTIN P00542227); Preparer Use Only (Firm's name Deloitte Tax LLP, Firm's address 1750 Tysons Blvd, McLean, VA 22102-4219, Firm's EIN 86-1065772, Phone no. (703) 251-1000).

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [] No

Product: Exempt**Category:****Name:** Bon Secours Hospital Baltimore, Inc**IRS Center:** Ogden**e-Postmark:** 7/15/2013 12:09:58 AM**FEIN:** 52-0591555**Notification:****Fiscal Year** 9/1/2011**Fiscal Year** 8/31/2012**Begin Date:****End Date:**

DCN	Date	Type Of Activity	Submission ID	Refund/(Due)	Updated By
	7/15/2013	Upload Started			
	7/15/2013	Released for Transmission - Validation in Progress			System
	7/15/2013	Ready to transmit - Validation Complete			
	7/15/2013	Transmitted to FD	541541201319603e8e00		
	7/15/2013	Accepted by FD on 7/15/2013			

Exempt Organization Declaration and Signature for Electronic Filing

For calendar year 2011, or tax year beginning SEP 1, 2011, and ending AUG 31, 2012

2011

Department of the Treasury
Internal Revenue Service

For use with Forms 990, 990-EZ, 990-PF, 1120-POL, and 8868

▶ See instructions.

Name of exempt organization

Bon Secours Hospital Baltimore, Inc.

Employer identification number

52-0591555

Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the type of return being filed with Form 8453-EO and enter the applicable amount, if any, from the return. If you check the box on line 1a, 2a, 3a, 4a, or 5a below and the amount on that line of the return being filed with this form was blank, then leave line 1b, 2b, 3b, 4b, or 5b, whichever is applicable, blank (do not enter -0-). If you entered -0- on the return, then enter -0- on the applicable line below. **Do not** complete more than one line in Part I.

1a Form 990 check here ▶ <input checked="" type="checkbox"/>	b Total revenue, if any (Form 990, Part VIII, column (A), line 12)	1b	<u>138792340</u>
2a Form 990-EZ check here ▶ <input type="checkbox"/>	b Total revenue, if any (Form 990-EZ, line 9)	2b	
3a Form 1120-POL check here ▶ <input type="checkbox"/>	b Total tax (Form 1120-POL, line 22)	3b	
4a Form 990-PF check here ▶ <input type="checkbox"/>	b Tax based on investment income (Form 990-PF, Part VI, line 5)	4b	
5a Form 8868 check here ▶ <input type="checkbox"/>	b Balance due (Form 8868, Part I, line 3c or Part II, line 8c)	5b	

Part II Declaration of Officer

6 I authorize the U.S. Treasury and its designated Financial Agent to initiate an Automated Clearing House (ACH) electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment.

If a copy of this return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I certify that I executed the electronic disclosure consent contained within this return allowing disclosure by the IRS of this Form 990/990-EZ/990-PF (as specifically identified in Part I above) to the selected state agency(ies).

Under penalties of perjury, I declare that I am an officer of the above named organization and that I have examined a copy of the organization's 2011 electronic return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund.

Sign Here

Signature of officer

[Handwritten Signature]

Date

7-11-2013

Title

Chief Financial Officer

Part III Declaration of Electronic Return Originator (ERO) and Paid Preparer (see instructions)

I declare that I have reviewed the above organization's return and that the entries on Form 8453-EO are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on the return. The organization officer will have signed this form before I submit the return. I will give the officer a copy of all forms and information to be filed with the IRS, and have followed all other requirements in Pub. 4163, Modernized e-file (MeF) Information for Authorized IRS e-file Providers for Business Returns. If I am also the Paid Preparer, under penalties of perjury I declare that I have examined the above organization's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. This Paid Preparer declaration is based on all information of which I have any knowledge.

ERO's Use Only	ERO's signature ▶ <u>David A. Craig, CPA</u>	Date <u>7/11/13</u>	Check if also paid preparer <input checked="" type="checkbox"/>	Check if self-employed <input type="checkbox"/>	ERO's SSN or PTIN <u>P00542227</u>
	Firm's name (or yours if self-employed), address, and ZIP code ▶ <u>Deloitte Tax LLP</u> <u>1750 Tysons Blvd</u> <u>McLean, VA 22102-4219</u>	EIN <u>85-1065772</u>	Phone no. <u>(703) 251-1000</u>		

Under penalties of perjury, I declare that I have examined the above return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer is based on all information of which the preparer has any knowledge.

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			

Application for Extension of Time To File an Exempt Organization Return

▶ **File a separate application for each return.**

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box
- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Electronic filing (e-file) - You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/efile and click on *e-file for Charities & Nonprofits*.

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print	Name of exempt organization or other filer, see instructions. Bon Secours Hospital Baltimore, Inc.	Employer identification number (EIN) or <input checked="" type="checkbox"/> 52-0591555
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. If a P.O. box, see instructions. 2000 West Baltimore Street	Social security number (SSN) <input type="checkbox"/>
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Baltimore, MD 21223-1558	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

Richard Jones

- The books are in the care of ▶ 2000 W. Baltimore St - Baltimore, MD 21223-1558
 Telephone No. ▶ (410) 362-3000 FAX No. ▶ _____
- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until April 15, 2013, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
 ▶ calendar year _____ or
 ▶ tax year beginning SEP 1, 2011, and ending AUG 31, 2012.

2 If the tax year entered in line 1 is for less than 12 months, check reason: Initial return Final return
 Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	0.
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	0.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	0.

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

• If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** and check this box

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

• If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

Enter filer's identifying number, see instructions

Type or print File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions Bon Secours Hospital Baltimore, Inc.	Employer identification number (EIN) or <input checked="" type="checkbox"/> 52-0591555
	Number, street, and room or suite no. If a P.O. box, see instructions. 2000 West Baltimore Street	Social security number (SSN) <input type="checkbox"/>
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Baltimore, MD 21223-1558	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990	01		
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

Richard Jones

• The books are in the care of 2000 W. Baltimore St - Baltimore, MD 21223-1558
Telephone No. (410) 362-3000 FAX No.

• If the organization does not have an office or place of business in the United States, check this box

• If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) . If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for.

- I request an additional 3-month extension of time until July 15, 2013.
- For calendar year _____, or other tax year beginning SEP 1, 2011, and ending AUG 31, 2012.
- If the tax year entered in line 5 is for less than 12 months, check reason: Initial return Final return
 Change in accounting period
- State in detail why you need the extension
Additional third party information is required to file a complete and accurate return.

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	\$	0.
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	\$	0.
c Balance due. Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	\$	0.

Signature and Verification must be completed for Part II only.

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature Title Date

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission: The mission is to bring compassion to health care and to be good help to those in need, especially those who are poor and dying. As a system of caregivers, we commit ourselves to help bring people and communities to health and wholeness.

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 [X] No

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [] Yes [X] No

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

4a (Code:) (Expenses \$ 126,249,133. including grants of \$ 197,872.) (Revenue \$ 136,083,583.) Bon Secours Baltimore Hospital provides both inpatient and outpatient services. Such services include:

Inpatient Services - 151 licensed beds for critical care, medical, psychiatric and surgical needs. BSBHS provides a full range of services & programs in response to community needs & interests including: Acute Care; Cardiology; Case Management; Wound Care Community Health Screenings; Critical Care; Emergency Care; Diagnostic Services; Employment Services; Family Support Center; Financial Education; Infectious Disease Care; Lab Services; Mammography; Neurology; Nuclear Medicine; Ophthalmology; Orthopedics; Faith Community Nurse Services; Pastoral Care; Pharmacy; Physical Therapy; Podiatry; Psychiatry;

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

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

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

4e Total program service expenses 126,249,133.

Part IV Checklist of Required Schedules

Table with 3 columns: Question ID, Question Text, Yes, No. Rows include questions 1 through 20b regarding organizational requirements and reporting.

Part IV Checklist of Required Schedules (continued)

	Yes	No
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>	X	
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>	X	
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>	X	
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>		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
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?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
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>		X
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>		X
26 Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>		X
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>		X
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>		X
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		X
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>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		X
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>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
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>		X
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>		X
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
b Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		X
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>		X
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>		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

Main form area containing questions 1a through 14b with input fields and Yes/No columns.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 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 [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a (15), 1b (13), 2, 3, 4, 5, 6, 7a, 7b, 8a, 8b, 9.

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

Table with 3 columns: Question, Yes, No. Rows include: 10a, 10b, 11a, 11b, 12a, 12b, 12c, 13, 14, 15a, 15b, 16a, 16b.

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed MD
18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection.
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: Richard Jones - (410) 362-3000

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, and 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 (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Mary Lenore Beachley Board Member	4.00	X						0.	0.	0.
(2) Matthew Hemelt Board Member	4.00	X						0.	0.	0.
(3) J. Howard Henderson Board Member	4.00	X						0.	0.	0.
(4) Keshia Pollack Board Member (May-Aug)	4.00	X						0.	0.	0.
(5) Martha Riva Board Member	50.00	X						0.	342,569.	128,325.
(6) Sr. Mary Shimo Board Member	50.00	X						0.	0.	0.
(7) Alan Siegfried Board Member	4.00	X						0.	0.	0.
(8) Anthony Stanowski Board Member	4.00	X						0.	0.	0.
(9) Lisa Williams Board Member	4.00	X						0.	0.	0.
(10) Theodore Wimberly Board Member	4.00	X						0.	0.	0.
(11) Patricia Scipio Board Member (Jan-Aug)	4.00	X						0.	0.	0.
(12) Bro. Art Caliman President	50.00	X		X				0.	0.	0.
(13) Glendora Hughes, Esq. Chairman	6.00	X		X				0.	0.	0.
(14) Ackneil Muldrow Secretary	6.00	X		X				0.	0.	0.
(15) Samuel L. Ross, M.D. CEO-BSBHS	50.00	X		X				0.	592,063.	77,713.
(16) Richard Jones Treasurer/CFO	50.00			X				333,070.	0.	22,593.
(17) Fabienne Larkins CNO	50.00				X			278,096.	0.	19,581.

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

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Rosita R. Cruz, M.D. Physician	50.00					X		203,379.	0.	18,429.
(19) Usha Jain, M.D. Chief Pathologist	50.00					X		306,576.	0.	37,503.
(20) Kwang Kim, M.D. Physician	50.00					X		203,221.	0.	14,660.
(21) Shivani Myer, M.D. Physician	50.00					X		204,088.	0.	15,465.
(22) Donovan Parkes, M.D. Physician	50.00					X		409,898.	0.	57,660.
1b Sub-total								1,938,328.	934,632.	391,929.
c Total from continuation sheets to Part VII, Section A								0.	0.	0.
d Total (add lines 1b and 1c)								1,938,328.	934,632.	391,929.

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? If "Yes," complete Schedule J for such individual		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person		X

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
Cardinal Health 1330 Enclave Parkway, Houston, TX 77077	Pharmacy Mgmt Services	2,319,104.
Shiftwise P.O. Box 70870, St. Paul, MN 55170	Nursing Services	2,088,010.
University of Maryland 110 South Paca St., Baltimore, MD 21201	Physician Services	1,907,409.
West Baltimore Anesthesia, LLC 2000 W. Baltimore St., Baltimore, MD 21223	Anesthesiologists	1,623,520.
Broadway Services, Inc. 3709 E. Monument St., Baltimore, MD 21205	Security	1,221,252.

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 78

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d	30,590.				
	e Government grants (contributions)	1e	973,843.				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	12,652.				
	g Noncash contributions included in lines 1a-1f: \$						
	h Total. Add lines 1a-1f			1,017,085.			
	Program Service Revenue	2 a Net Patient Rev.		Business Code			
		621110	136,083,583.	136,083,583.			
b							
c							
d							
e							
f All other program service revenue							
g Total. Add lines 2a-2f			136,083,583.				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			200,047.		200,047.	
	4 Income from investment of tax-exempt bond proceeds			1,646.		1,646.	
	5 Royalties						
	6 a Gross rents	(i) Real	199,937.				
		(ii) Personal	0.				
		b Less: rental expenses	0.				
		c Rental income or (loss)	199,937.				
	d Net rental income or (loss)			199,937.		199,937.	
	7 a Gross amount from sales of assets other than inventory	(i) Securities	137,867.				
		(ii) Other	564,605.				
		b Less: cost or other basis and sales expenses	0.	0.			
		c Gain or (loss)	137,867.	564,605.			
	d Net gain or (loss)			702,472.		702,472.	
	8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	a					
	b Less: direct expenses	b					
c Net income or (loss) from fundraising events							
9 a Gross income from gaming activities. See Part IV, line 19	a						
b Less: direct expenses	b						
c Net income or (loss) from gaming activities							
10 a Gross sales of inventory, less returns and allowances	a						
b Less: cost of goods sold	b						
c Net income or (loss) from sales of inventory							
Miscellaneous Revenue			Business Code				
11 a Cafe and Vending		722212	403,597.			403,597.	
b Parking		812930	149,109.			149,109.	
c Purchase Discounts		900099	18,123.			18,123.	
d All other revenue		900099	16,741.		16,741.		
e Total. Add lines 11a-11d			587,570.				
12 Total revenue. See instructions.			138,792,340.	136,083,583.	16,741.	1,674,931.	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21	175,706.	175,706.		
2 Grants and other assistance to individuals in the United States. See Part IV, line 22	22,166.	22,166.		
3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	678,506.	610,655.	67,851.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	47,200,329.	42,480,296.	4,720,033.	
8 Pension plan accruals and contributions (include section 401(k) and section 403(b) employer contributions)	2,267,044.	2,040,340.	226,704.	
9 Other employee benefits	8,270,453.	7,443,408.	827,045.	
10 Payroll taxes	3,503,667.	3,153,300.	350,367.	
11 Fees for services (non-employees):				
a Management				
b Legal	320,210.	288,189.	32,021.	
c Accounting	277,276.	249,548.	27,728.	
d Lobbying	14,491.	13,042.	1,449.	
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other	12,273,726.	11,046,353.	1,227,373.	
12 Advertising and promotion	501,996.	451,796.	50,200.	
13 Office expenses	913,087.	821,778.	91,309.	
14 Information technology	173,418.	156,076.	17,342.	
15 Royalties				
16 Occupancy	5,127,967.	4,615,170.	512,797.	
17 Travel	128,627.	115,764.	12,863.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	2,045,010.	2,045,010.		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	3,331,597.	2,998,437.	333,160.	
23 Insurance	1,711,918.	1,540,726.	171,192.	
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 Bad Debt Expense	15,715,983.	15,715,983.	0.	0.
b Purchased Services	14,151,131.	12,736,018.	1,415,113.	0.
c Medical Supplies	12,848,081.	11,563,273.	1,284,808.	0.
d BSHSI Mgmt Allocation	5,421,376.	4,879,238.	542,138.	0.
e All other expenses	1,207,620.	1,086,861.	120,759.	
25 Total functional expenses. Add lines 1 through 24e	138,281,385.	126,249,133.	12,032,252.	0.
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

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing		1	
	2 Savings and temporary cash investments	532,485.	2	362,260.
	3 Pledges and grants receivable, net	1,795,634.	3	464,881.
	4 Accounts receivable, net	19,775,321.	4	19,426,325.
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)), 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)		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	1,179,262.	8	1,344,093.
	9 Prepaid expenses and deferred charges	14,854.	9	1,384,077.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 91,234,260.		
	b Less: accumulated depreciation	10b 61,749,453.	28,472,159.	10c 29,484,807.
	11 Investments - publicly traded securities	9,608,249.	11	10,352,296.
	12 Investments - other securities. See Part IV, line 11		12	
	13 Investments - program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	21,672,006.	15	9,514,048.
16 Total assets. Add lines 1 through 15 (must equal line 34)	83,049,970.	16	72,332,787.	
Liabilities	17 Accounts payable and accrued expenses	14,404,431.	17	14,196,890.
	18 Grants payable		18	
	19 Deferred revenue	1,452,192.	19	2,822,759.
	20 Tax-exempt bond liabilities	5,007,955.	20	4,737,030.
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	121,401,464.	25	135,584,053.
	26 Total liabilities. Add lines 17 through 25	142,266,042.	26	157,340,732.
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	-59,815,241.	27	-84,867,001.
	28 Temporarily restricted net assets	599,169.	28	-140,944.
	29 Permanently restricted net assets		29	0.
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	-59,216,072.	33	-85,007,945.
34 Total liabilities and net assets/fund balances	83,049,970.	34	72,332,787.	

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	138,792,340.
2	Total expenses (must equal Part IX, column (A), line 25)	2	138,281,385.
3	Revenue less expenses. Subtract line 2 from line 1	3	510,955.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	-59,216,072.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-26,302,828.
6	Net assets or fund balances at end of year. Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	-85,007,945.

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		X
2b	Were the organization's financial statements audited by an independent accountant?	X	
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.	X	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	X	
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.	X	

Form **990** (2011)

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No. 1545-0047

2011

Open to Public Inspection

Name of the organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
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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 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
 - 10 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
 - 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.
 - a Type I
 - b Type II
 - c Type III - Functionally integrated
 - d Type III - Other
 - e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).
 - f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
 - g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the 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).

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

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ. Schedule A (Form 990 or 990-EZ) 2011

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. 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 section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2011 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2010 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 33 1/3% support test - 2010. 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		<input type="checkbox"/>
17a 10% -facts-and-circumstances test - 2011. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 10% -facts-and-circumstances test - 2010. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
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		<input type="checkbox"/>

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

Schedule B
(Form 990, 990-EZ,
or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

▶ **Attach to Form 990, Form 990-EZ, or Form 990-PF.**

OMB No. 1545-0047

2011

Name of the organization

Bon Secours Hospital Baltimore, Inc.

Employer identification number

52-0591555

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)(3) (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

Special Rules

For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of **(1)** \$5,000 or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not total to more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year. ▶ \$ _____

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on Part I, line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2011)

Name of organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
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Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	Bon Secours Baltimore Health System Foundation, Inc 2000 W. Baltimore Street Baltimore, MD 21223	\$ 27,622.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
2	State of Maryland - HSCRC 4160 Patterson Avenue Baltimore, MD 21215	\$ 115,993.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
3	Baltimore Substance Abuse Systems, Inc. One North Charles St. Ste. 1600 Baltimore, MD 21201	\$ 512,630.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
4	Baltimore Mental Health Systems, Inc. 201 E. Baltimore Street, Ste. 1340 Baltimore, MD 21202	\$ 207,013.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
5	Baltimore City Health Department 1001 E. Fayette Street Baltimore, MD 21202	\$ 124,312.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
6	University of Maryland, Baltimore 620 W. Lexington St, 4th Floor Baltimore, MD 21201	\$ 7,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

Name of organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
--	--

Part II Noncash Property (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
_____	_____ _____ _____ _____	\$ _____	_____
_____	_____ _____ _____ _____	\$ _____	_____
_____	_____ _____ _____ _____	\$ _____	_____
_____	_____ _____ _____ _____	\$ _____	_____
_____	_____ _____ _____ _____	\$ _____	_____
_____	_____ _____ _____ _____	\$ _____	_____
_____	_____ _____ _____ _____	\$ _____	_____

Name of organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
--	--

Part III Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations that total more than \$1,000 for the year. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this information once.) ▶ \$ _____
Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

OMB No. 1545-0047

2011

Open to Public
Inspection

▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.**

If the organization answered "Yes" to Form 990, Part IV, line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes" to Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes" to Form 990, Part IV, line 5 (Proxy Tax), or Form 990-EZ, Part V, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

Name of organization <p style="text-align: center;">Bon Secours Hospital Baltimore, Inc.</p>	Employer identification number <p style="text-align: center;">52-0591555</p>
---	---

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.
- 2 Political expenditures ▶ \$ _____
- 3 Volunteer hours _____

Part I-B Complete if the organization is exempt under section 501(c)(3).

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ \$ _____
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$ _____
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? Yes No
- 4a Was a correction made? Yes No
- b If "Yes," describe in Part IV.

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ \$ _____
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ \$ _____
- 3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ▶ \$ _____
- 4 Did the filing organization file **Form 1120-POL** for this year? Yes No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.

Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A** Check if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).
- B** Check if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1 a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? ..		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		14,491.
j Total. Add lines 1c through 1i			14,491.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Part II-B, Line 1, Lobbying Activities:

Bon Secours Hospital Baltimore, Inc. paid dues to the American Hospital

Association (AHA), the Maryland Hospital Association (MHA) and the

Catholic Hospital Association (CHA), a portion of which is used for

lobbying activities. The portion of dues allocated to lobbying

activities for each of these organizations is as follows: Lobbying

Part IV Supplemental Information (continued)

activity for AHA (\$4,623 or 24.6%), MHA (\$8,731 or 8.65%), CHA (\$1,137
or 5.15%) for a total of \$14,491.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.**

▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No. 1545-0047

2011

Open to Public Inspection

Name of the organization

Bon Secours Hospital Baltimore, Inc.

Employer identification number

52-0591555

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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?		<input type="checkbox"/> Yes <input type="checkbox"/> No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply).

Preservation of land for public use (e.g., recreation or 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 Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (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 XIV, 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

▶ \$ _____

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 XIV.

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

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

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

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

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

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

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

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

- a Board designated or quasi-endowment _____ %
- 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
- (ii) related organizations

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		600,000.		600,000.
b Buildings		29,936,934.	17,345,943.	12,590,991.
c Leasehold improvements		18,163,178.	12,514,718.	5,648,460.
d Equipment		30,771,788.	24,036,083.	6,735,705.
e Other		11,762,360.	7,852,709.	3,909,651.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				29,484,807.

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12.) ▶		

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

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 13.) ▶		

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

(a) Description	(b) Book value
(1) Due from Afilliates	1,859,157.
(2) Due from HSO	20.
(3) HPL/GL Asset	7,602,179.
(4) Other LT Investments	13,150.
(5) Social Security Assets	39,542.
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 15.) ▶	9,514,048.

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

1. (a) Description of liability	(b) Book value	
(1) Federal income taxes		
(2) Due to BSHSI	92,062,921.	
(3) Pension Liability	28,094,654.	
(4) Capital Leases	412,339.	
(5) Advances from Medicaid	4,503,795.	
(6) Advances from Carefirst	639,862.	
(7) HPL/GL Liability	7,602,179.	
(8) Due to Affiliates	919,351.	
(9) FIN 47 Liability	1,348,952.	
(10)		
(11)		
Total. (Column (b) must equal Form 990, Part X, col (B) line 25.) ▶	135,584,053.	

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Part X, Line 2: Schedule D, Part X, Line 2 requires that the

organization provide the text of the footnote to the organization's

financial statements that reports the organization's liability for

uncertain tax positions under ASC 740 (formerly FIN48). ASC 740 (formerly

FIN48) addresses the accounting for uncertainty in income taxes recognized

in an entity's financial statements and prescribes a threshold of

more-likely-than-not for recognition and de-recognition of tax positions

taken or expected to be taken in a tax return. The adoption of ASC 740

Part XIV Supplemental Information (continued)

(formerly FIN48) by BSHSI on September 1, 2007 did not have a material
 impact on BSHSI's consolidated financial statements. As the organization
 does not conduct a separate audit of its financial statements, below is
 the related statement from the Bon Secours Health System, Inc.
 consolidated audited financial statements:

The System and most of its subsidiaries (including certain joint venture
 entities) are exempt from federal income taxes under Section 501(c)(3) of
 the Internal Revenue Code of 1986, as amended. The system accounts for
 uncertain tax positions in accordance with ASC Topic 740 (formerly FIN48).
 Income taxes of the System's for-profit subsidiaries are not material to
 the accompanying consolidated financial statements. The System's taxable
 subsidiaries have approximately \$95,733 and \$89,500 of net operating loss
 carryforwards as of August 31, 2012 and 2011, respectively, which expire
 in varying periods through 2032 and are available to offset future taxable
 income. The System's deferred tax assets are fully reserved at August 31,
 2012 and 2011. Any changes to the valuation allowance on the deferred tax
 asset are reflected in the year of the change.

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

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

Name of the organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
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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	X	
b If "Yes," was it a written policy?	X	
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. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> 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) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	X	
c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, to determine 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"?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	X	
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?		X
6a Did the organization prepare a community benefit report during the tax year?	X	
b If "Yes," did the organization make it available to the public?	X	

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

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)			5,925,739.	0.	5,925,739.	4.83%
b Medicaid (from Worksheet 3, column a)			0.	0.		.00%
c Costs of other means-tested government programs (from Worksheet 3, column b)00%
d Total Financial Assistance and Means-Tested Government Programs			5,925,739.		5,925,739.	4.83%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	4	2,892	2,362,457.		2,362,457.	1.93%
f Health professions education (from Worksheet 5)	1	224	108,862.	0.	108,862.	.09%
g Subsidized health services (from Worksheet 6)	3	26,983	15,108,674.	111,889.	14,996,785.	12.24%
h Research (from Worksheet 7)00%
i Cash and in-kind contributions for community benefit (from Worksheet 8)00%
j Total. Other Benefits	8	30,099	17,579,993.	111,889.	17,468,104.	14.26%
k Total. Add lines 7d and 7j	8	30,099	23,505,732.	111,889.	23,393,843.	19.09%

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.

Table with 7 columns: (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. Rows include Physical improvements and housing, Economic development, Community support, Environmental improvements, Leadership development and training for community members, Coalition building, Community health improvement advocacy, Workforce development, Other, and Total.

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? 1 X

2 Enter the amount of the organization's bad debt expense 2 8,860,170.

3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy 3

4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME) 5 33,066,259.

6 Enter Medicare allowable costs of care relating to payments on line 5 6 29,220,251.

7 Subtract line 6 from line 5. This is the surplus (or shortfall) 7 3,846,008.

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 [X] Cost to charge ratio [] Other

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year? 9a X

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 X

Part IV Management Companies and Joint Ventures (see instructions)

Table with 5 columns: (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 %.

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest)

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

Name and address

1 Bon Secours Hospital Baltimore, Inc.
2000 W. Baltimore St.
Baltimore, MD 21223-1558

Table with columns: Licensed hospital, General medical & surgical, Children's hospital, Teaching hospital, Critical access hospital, Research facility, ER-24 hours, ER-other, Other (describe). Row 1 contains 'X' marks in the first four columns.

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of Hospital Facility: Bon Secours Hospital Baltimore, Inc.

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

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

Part V Facility Information (continued) Bon Secours Hospital Baltimore, Inc.

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

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		X
15 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 patient's eligibility under the facility's FAP:		
a <input type="checkbox"/> Reporting to credit agency		
b <input type="checkbox"/> Lawsuits		
c <input type="checkbox"/> Liens on residences		
d <input type="checkbox"/> Body attachments		
e <input type="checkbox"/> Other similar actions (describe in Part VI)		
16 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?		X
If "Yes," check all actions in which the hospital facility or a third party engaged:		
a <input type="checkbox"/> Reporting to credit agency		
b <input type="checkbox"/> Lawsuits		
c <input type="checkbox"/> Liens on residences		
d <input type="checkbox"/> Body attachments		
e <input type="checkbox"/> Other similar actions (describe in Part VI)		
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in line 16 (check all that apply):		
a <input type="checkbox"/> Notified patients of the financial assistance policy on admission		
b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge		
c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills		
d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy		
e <input type="checkbox"/> Other (describe in Part VI)		

Part V Facility Information (continued) Bon Secours Hospital Baltimore, Inc.

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?		X
If "Yes," explain in Part VI.			
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient?		X
If "Yes," explain in Part VI.			

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? _____ 3 _____

Name and address	Type of Facility (describe)
1 Bon Secours CIBS 3101 Towanda Ave. Baltimore, MD 21215-0000	Behavioral Health Services
2 New Hope 2401 W. Baltimore Street Baltimore, MD 21223-1558	Behavioral Health Services
3 Druid Park Facility 2901 Druid Park Drive, Suite A103 Baltimore, MD 21215-0000	Behavioral Health Services

Part VI Supplemental Information

Complete this part to provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.
- 2 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.

Part I, Line 7: Part I, Lines 7a-7c: Maryland's regulatory system

creates a unique process for hospital payment that differs from the rest

of the nation. The Health Services Cost Review Commission, (HSCRC)

determines payment through a rate setting process and all payors,

including governmental payors, pay the same amount for the same services

delivered at the same hospital. Maryland's unique all payor system

includes a method for referencing Uncompensated Care in each payors rates,

which does not enable Maryland hospitals to breakout any offsetting

revenue related to Uncompensated Care.

For Part I, Lines 7a-7c computations: The cost-to-charge ratio is derived

using the suggested computation in Worksheet 2, Ratio of Patient Care

Cost-to-Charges. Operating expenses and Gross patient charges are taken

from the general ledger. Expenses for nonpatient care activities recorded

in operating expenses are approximated as directly equaling other

operating revenue, assuming these activities do not provide profit.

Part I, Line 7e: Community health improvement services and community

benefit operations are accumulated throughout the year and reported at

Part VI Supplemental Information

actual cost in a software program that specifically addresses this purpose.

Part I, Line 7f: Health professions education cost is determined as the direct and indirect cost of qualifying education activities as traditionally reported in columns 21-24 on Worksheet B of the Medicare cost report as a Medical Education program, nursing school or other allied health program.

Part I, Ln 7 Col(f): Current year bad debt expense not included in the calculation for line 7, column f: \$15,715,983

Part II: Bon Secours Baltimore Health System works closely with the community it serves to create projects, programs and services that are leading to the realization of a vision towards making southwest Baltimore a healthier community of choice for current and new residents.

Bon Secours offered the following Community Building programs and services in FY 2012:

Our Money Place (OMP) Financial Services offers group and individual financial education, debt remediation, free and low-cost tax preparation and retirement planning to help residents reduce non-asset building debt and increase personal wealth. Residents can also be screened for and access public and private benefits through Earn Benefits. Over 2,260 persons utilized these services in FY 12.

Youth Employment and Entrepreneurship Program (YEPP) helps high school age

Part VI Supplemental Information

youth learn job readiness, financial literacy and leadership skills and then access part time and summer jobs. YEEP also helps youth develop career plans and get into post-secondary education. The program follows alumni who attend college. Over 340 area youth participated in YEEP activities in FY 12.

Clean & Green turns vacant lots into attractive green spaces and consistently maintains them at a community-wide scale. Also provides paid internships in landscaping and other job skills. The program maintained over 400 lots in FY 12. In addition eight individuals completed a six month training program.

Career Development Program offers job readiness, GED instruction, placement and retention services where, after a five-week intensive classroom experience, clients are followed for three years and helped to move up the company ladder, obtain more education as needed, get out of debt and learn basic money management skills. The ultimate goal is financial self-sufficiency. A total of 21 individuals completed our job readiness training and 53 community residents were placed in employment in FY 2012.

Family Support Center helps young parents obtain a GED and get into college while providing developmental childcare and parenting classes. Children (birth to age 4) receive developmental childcare while their parents are in class or in training. In addition, the Family Support Center staff provides In-Home-Intervention services. One-thousand two hundred thirty four parents and children were served during FY 12.

Part VI Supplemental Information

Women's Resource Center is a drop-in center that provides crisis intervention, hospitality services and domestic violence counseling for homeless women or women at risk for becoming homeless. Over 510 women were served in FY 12.

Housing: BSBHS also renovates row houses and constructs apartment buildings where low-income families and seniors can find safe and affordable housing. Over 648 families and seniors were housed in FY 12.

Part III, Line 4: Part III, Line 2: Bad Debt Expense at cost is computed by applying the cost-to-charge ratio computed on Worksheet 2 to the aggregate bad debt expense for patient accounts recorded in the general ledger. Bad debt expense on the general ledger includes: 1) actual write offs of discounted gross charges where it is determined an uninsured patient can pay and does not pay; and 2) the estimated write offs for uninsured patient accounts with outstanding balances after discount. Estimates are based on historical collection rates.

When an uninsured patient is billed for patient care services, the charges are automatically discounted and the patient is requested to only pay the amount after discount. The discount is recorded as an adjustment to gross revenue and is not recorded in bad debt expense. If the balance after discount is not paid or not paid in full, the unpaid amount will be written off to bad debt expense. When a patient remits a payment on an account that has already been written off to bad debt expense, the payment is recorded as a recovery of bad debt, which reduces bad debt expense.

Part III, Line 3: The organization does not report an estimate for the

Part VI Supplemental Information

portion of bad debt expense that may have been likely to qualify for financial assistance under the hospital charity care policy. The organization takes the position that ample opportunity and assistance is provided to the patient to qualify under the financial assistance policy. If sufficient information is not provided, the organization must assume the patient does not qualify.

Part III, Line 8: Part III, Line 6: Medicare allowable costs reflected in Part III come directly from the facility's Medicare cost report. The cost report segregates the total facility actual expenses into costs for support departments, clinical departments (routine and ancillary) and nonreimbursable departments. The cost report uses appropriate statistical bases to "step down" support costs to allowable clinical and nonreimbursable departments. The charges for clinical departments are matched to the total cost for these departments for a cost-to-charge ratio. Medicare-specific allowable costs for in- and outpatient ancillary departments are computed by applying the department-specific cost-to-charge ratio to the Medicare program charges by department. For routine departments, a per diem total cost is computed and applied to Medicare program days for the Medicare routine program cost.

Part III, Line 9b: The hospital has a written policy that describes collection practices applying to patients that qualify for charity care or financial assistance. If full assistance is approved, no collection efforts are pursued on that patient's account(s). If partial assistance is provided, the patient is responsible for the adjusted account balance and collection efforts will follow the established practices for all patients where a self-pay balance exists. Collection efforts are not pursued on any

Part VI Supplemental Information

pending Financial Assistance Program (FAP) account.

Specific criteria exist for how much financial assistance, partial or

total, will be provided to the patient based on the assessed need.

Criteria is based on Federal Poverty Guidelines and is reviewed and

updated annually. Once a patient has been deemed eligible for the Patient

FAP, the patient is notified by letter within 60 days after receipt of the

application and supporting documentation. The patient retains eligibility

for a period of twelve months from the date of the application. This

eligibility is signaled to hospital admissions, billing and collection

staff by the assignment of a specific financial class with accompanying

eligibility dates. At the end of those twelve months, the patient is

responsible for reapplying for FAP eligibility.

Part V, Section B, line 11h:

Please see the narrative for Part VI, Line 3 regarding the Financial

Assistance Policy.

Part V, Section B, line 13g:

Please see the narrative for Part VI, Line 3 regarding the Financial

Assistance Policy.

Part V, Section B, line 19d:

Please see the narrative for Part VI, Line 3 regarding the Financial

Assistance Policy.

Part VI, Line 2: In FY13 BSBHS will complete its current Community

Health Needs Assessment which began in November 2009 with a community

Part VI Supplemental Information

health engagement process with an objective to develop:

- An agreed-upon vision of an improved healthcare system which would lead

to a healthier community and would be financially sustainable

- A plan to achieve our vision

We hosted meetings involving 9 community associations, churches - such as

Central Baptist Church and Greater Church of the Risen Savior - schools,

service providers and seniors, gathering input from more than 100

community members. We also consulted other hospitals, our local health

department, federally qualified health centers, physicians, and

philanthropic organizations, institutions of higher education, and elected

officials.

This planning process led to recommendations and strategies under three

major areas of focus: Healthy People, Healthy Environment and Healthy

Economy.

The next step taken in our current effort was a West Baltimore Health Care

Summit which brought together 100 participants representing various

stakeholders - hospitals, federally qualified health centers, physicians,

philanthropic organizations, institutions of higher education, community

members, and elected officials - to focus on improving access to primary

care in Central and Southwest Baltimore City.

Following the 2010 West Baltimore Health Care Summit, three workgroups

were formed to focus on various aspects of improving access to primary

care: Prevention, Education, and Outreach; Healthcare Workforce and

Service Delivery.

Part VI Supplemental Information

Understanding that central and southwest Baltimore exhibit some of the poorest health status indicators in the state, and understanding that the passage of the Patient Protection and Affordable Care Act now provides us with a unique opportunity to create new models of care that better meet the needs of our community, Bon Secours and the Mid Atlantic Association of Community Health Centers then launched a West Baltimore Primary Care Access Assessment and Strategic Planning project. A primary goal of that project is to ensure that our community members have access to quality primary care. We also now have a New Vision and corresponding strategic plan designed to expand our role as a trusted resource for healthcare, education, community, social and housing services. As we look to implement a new patient-centered "Medical Neighborhood," we are sharpening our focus on creating even more programs to address the needs of our community.

Part VI, Line 3: Patient financial assistance policy is communicated to patients verbally upon scheduling, registration, visible postings of the policy in common areas throughout the hospital, brochures and on Bon Secours website. In addition, patient statements request that patients apply for financial assistance, if needed, once any patient financial obligation is determined.

Bon Secours is committed to ensuring access to health care services for all. As a health care provider, Bon Secours treats all patients, whether insured, underinsured or uninsured, with dignity, respect and compassion throughout admission, delivery of services, discharge and billing and collection processes. Bon Secours addresses the needs of the uninsured by providing free or reduced fees on hospital services, community outreach

Part VI Supplemental Information

efforts to assist with enrollment in Medicaid and other medical coverage programs, including free community-based preventive and primary care services.

Bon Secours proactively screens to identify individuals and their families who may qualify for federal, state or local health insurance programs or the Bon Secours Patient Financial Assistance Program ("FAP") and assist the potential eligible patients through the qualification process.

Potentially eligible patients that do not qualify for a federal or state health insurance program are referred to the Financial Assistance Coordinator located in Patient Financial Services for assistance in completing the documentation required to establish FAP eligibility.

Patients are responsible for providing the information necessary to complete the documentation. The FAP aids uninsured and underinsured patients who do not qualify for government-sponsored health insurance and who communicate their inability to pay for their medical care. The FAP provides 100% financial assistance to uninsured patients with annual

family incomes at or below 200% of the Federal Poverty Guidelines ("FPG"), as adjusted by the Medicare geographic wage index for each community

served to reflect that community's relative cost of living ("Adjusted FPG"). Adjustments to these guidelines are made in certain States, where applicable. A sliding scale assistance policy is afforded patients that

exceed the income guidelines for 100% assistance. Sliding scale assistance is provided to patients and progressively declines in proportion to the patient's higher income level. Additionally, all uninsured (i.e. self pay) patients are given a reduction to the amount of the full charges for

medically necessary services through a community service adjustment ("CSA"). The CSA is market adjusted and based on the payment discount

Part VI Supplemental Information

received by other health care payers doing business in the community. For these patients, the FAP also sets a maximum annual family payment liability to ensure that no family suffers a catastrophic financial burden to receive necessary health care services. Based on research conducted by the Tax Foundation, a non partisan tax research group based in Washington DC, the maximum annual family liability is based on a sliding scale determined by the family income and size. The standard sliding scale is adjusted by the Medicare geographic wage index of each community served to reflect that community's relative cost of living. All patients are also eligible for a Prompt Pay Discount. In addition, a variety of other potential payment options are available.

Bon Secours is dedicated to meeting the needs of non-English speaking patients by having on-site Spanish translators, and other language translation services. In addition, Bon Secours employs a telephone language service which assists in meeting any language needs that arise. The translation services are offered to non-English speaking patients from admission to discharge, including the financial process.

Part VI, Line 4: Bon Secours Baltimore Health System's Community

Benefit Service Area is southwest Baltimore, which has a population of more than 17,885 (2010 Census) people, many of whom are medically and economically underserved. The socioeconomic status, ethnic diversity and health status of residents, according to the Baltimore City Health Department, indicates that 27% of the population is between 0-17 years; 76% are African American; 33% have a high school diploma equivalent; 43% of those ages 16-64 are not employed; 44% of households make less than \$25,000; and the leading causes of health-related deaths are heart

Part VI Supplemental Information

disease, HIV/AIDS, substance abuse and diabetes. In fact, in the neighborhoods served by BSBHS, residents die from heart disease at a rate that is 26% higher than the city as a whole. Deaths from diabetes and HIV/AIDS are also substantially higher than in the entire city. And residents of certain areas along the West Baltimore Street corridor have a life expectancy of 64.2 years, compared to almost 71 years for the entire city. Health problems in the community are exacerbated by inadequate insurance coverage. Approximately 11% of neighborhood residents are covered by Medicare, and 31% receive Medicaid. Seventeen percent are without any form of health insurance.

Part VI, Line 5: BSB has an open medical staff with privileges available to all qualified physicians in the area. BSB is governed by a board of directors whose composition is representative of the community it serves.

Part VI, Line 6: Bon Secours Health System, Inc., a Maryland nonprofit, nonstock membership corporation (BSHSI), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc, a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System. BSI, which is the sole corporate member of BSHSI, has no healthcare operations. The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris, a congregation of religious women of the Roman Catholic Church founded in France in 1824. The System's activities are in the states of New York, Pennsylvania, Maryland, Virginia, Kentucky, South Carolina, and Florida, each referred to as a local system. The Ministry of BSHSI aids those in need,

Part VI Supplemental Information

particularly those who are sick and dying, by offering services that include but are not limited to acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, or disability.

BSHSI's vision to bring about the holistic health of the communities it serves is implemented through its Strategic Quality Plan which provides focus in four goal areas for the current three year period (2010-2012).

One of those goals was to partner with communities to co-create a more humane world, improve health and model social justice. To accomplish this, two key strategies are to:

- Engage communities to identify needs and assets and building partnerships to improve health and quality of life of a specific population.

- Demonstrate sustainable stewardship for healing the earth as a way to improve health and life quality.

As a member of the Catholic health ministry and a member of Bon Secours Health System, Inc. (BSHSI), this organization and it's related entities are called to continue the healing ministry of Jesus. We exist to benefit the people living in the communities it serves. Through all of the services offered to the community, the mission is "to bring compassion to health care and to be good help to those in need, especially those who are poor and dying. As a System of caregivers, we commit ourselves to help bring people and communities to health and wholeness as part of the

Part VI Supplemental Information

healing ministry of Jesus Christ and the Catholic Church." This
 organization and related organizations share the BSHSI Vision. "Inspired
 by the healing ministry of Jesus Christ and the charism of Bon Secours,
 Bon Secours Health System will be recognized for its leadership in
 justice, transforming the communities in which we serve and work into
 places of health and hope, and being a prophetic voice for systemic US
 health reform and a more humane world."

Please see Schedule R for listings of the related organizations.

Part VI, Line 7, List of States Receiving Community Benefit Report:

MD

**SCHEDULE I
(Form 990)**

Department of the Treasury
Internal Revenue Service

**Grants and Other Assistance to Organizations,
Governments, and Individuals in the United States**
Complete if the organization answered "Yes" to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990.

OMB No. 1545-0047

2011

**Open to Public
Inspection**

Name of the organization Bon Secours Hospital Baltimore, Inc. Employer identification number 52-0591555

Part I **General Information on Grants and Assistance**

- 1** Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No
- 2** Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

Part II **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Bon Secours Baltimore Health System Foundation, Inc - 2000 W. Baltimore Street - Baltimore, MD 21223	38-3843816	501(c)(3)	175,706.	0.			General Support to start up organization

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

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

Schedule I (Form 990) (2011)

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
Emergency Assistance Funds for Patients, Volunteers & Employees	22	22,166.	0.		

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

**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, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2011

Open to Public Inspection

Name of the organization

Bon Secours Hospital Baltimore, Inc.

Employer identification number

52-0591555

Part I Questions Regarding Compensation

	Yes	No								
<p>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.</p> <table border="0"> <tr> <td><input type="checkbox"/> First-class or charter travel</td> <td><input type="checkbox"/> Housing allowance or residence for personal use</td> </tr> <tr> <td><input type="checkbox"/> Travel for companions</td> <td><input type="checkbox"/> Payments for business use of personal residence</td> </tr> <tr> <td><input type="checkbox"/> Tax indemnification and gross-up payments</td> <td><input type="checkbox"/> Health or social club dues or initiation fees</td> </tr> <tr> <td><input type="checkbox"/> Discretionary spending account</td> <td><input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)</td> </tr> </table>	<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence	<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)		
<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use									
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence									
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees									
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)									
b If any of the boxes on 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									
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									
<p>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. Explain in Part III.</p> <table border="0"> <tr> <td><input type="checkbox"/> Compensation committee</td> <td><input type="checkbox"/> Written employment contract</td> </tr> <tr> <td><input type="checkbox"/> Independent compensation consultant</td> <td><input type="checkbox"/> Compensation survey or study</td> </tr> <tr> <td><input type="checkbox"/> Form 990 of other organizations</td> <td><input type="checkbox"/> Approval by the board or compensation committee</td> </tr> </table>	<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract	<input type="checkbox"/> Independent compensation consultant	<input type="checkbox"/> Compensation survey or study	<input type="checkbox"/> Form 990 of other organizations	<input type="checkbox"/> Approval by the board or compensation committee				
<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract									
<input type="checkbox"/> Independent compensation consultant	<input type="checkbox"/> Compensation survey or study									
<input type="checkbox"/> Form 990 of other organizations	<input type="checkbox"/> Approval by the board or compensation committee									
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:										
a Receive a severance payment or change-of-control payment?	4a	X								
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	X								
c Participate in, or receive payment from, an equity-based compensation arrangement?	4c	X								
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.										
Only section 501(c)(3) and 501(c)(4) organizations 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	X								
b Any related organization?	5b	X								
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	X								
b Any related organization?	6b	X								
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	X								
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	X								
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9									

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

Schedule J (Form 990) 2011

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		(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				
1 Martha Riva	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	318,505.	0.	24,064.	89,783.	38,542.	470,894.	0.
2 Samuel L. Ross, M.D.	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	491,059.	45,844.	55,160.	53,709.	24,004.	669,776.	0.
3 Richard Jones	(i)	260,932.	35,000.	37,138.	5,137.	17,456.	355,663.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4 Fabienne Larkins	(i)	239,637.	15,462.	22,997.	6,435.	13,146.	297,677.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5 Rosita R. Cruz, M.D.	(i)	172,768.	0.	30,611.	11,610.	6,819.	221,808.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6 Usha Jain, M.D.	(i)	286,741.	0.	19,835.	23,365.	14,138.	344,079.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
7 Kwang Kim, M.D.	(i)	170,300.	0.	32,921.	1,247.	13,413.	217,881.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
8 Shivani Myer, M.D.	(i)	203,541.	0.	547.	3,400.	12,065.	219,553.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
9 Donovan Parkes, M.D.	(i)	371,175.	0.	38,723.	23,326.	34,334.	467,558.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
10	(i)							
	(ii)							
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

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.

Part I, Line 3:

Bon Secours Health System, Inc., a related organization of Bon Secours

Hospital Baltimore, Inc., uses the following to establish the compensation

of the organization's CEO/Executive Director:

Compensation Committee

Independent Compensation Consultant

Written Employment Contract

Compensation Survey or Study

Approval by the Board or Compensation Committee

Part I, Line 4b: The filing organization participates

in a BSHSI sponsored executive retirement program that allows for deposits

into additional retirement plans and available only to key employees. The

457F plan is a non-qualified plan and is subject to a minimum three-year

service requirement before vesting on deposits made into this plan.

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 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No. 1545-0047

2011

Open to Public
Inspection

Name of the organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
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Form 990, Part III, Line 4a, Program Service Accomplishments:

Pulmonary Services; Primary Care; Senior & Family Housing; Smoking

Cessation; Social Work; Substance Abuse Treatment; Surgery; a Wellness

& Fitness Center; Vascular Services; & the Women's Resource Center.

Outpatient Services - including renal dialysis, HIV/AIDS services,

mental health, substance abuse treatment, health education, cardiac

rehabilitation and wellness programs and tele-health program for

patients with congestive heart disease. BSBHS operates an emergency

room that is open 24 hours per day, seven days per week, serving

persons regardless of their ability to pay. See Sch H for additional

information.

Form 990, Part VI, Section A, line 6: Bon Secours Health System, Inc. is

the sole member of Bon Secours Baltimore Health Systems, Inc., which in

turn is the sole member of Bon Secours Hospital Baltimore, Inc.

Form 990, Part VI, Section A, line 7a: The governing body of Bon Secours

Hospital Baltimore, Inc. is appointed by its member Bon Secours Baltimore

Health System, Inc. and subject to approval by Bon Secours Health System,

Inc.

Form 990, Part VI, Section A, line 7b: Certain authorities of Bon Secours

Hospital Baltimore, Inc. are reserved to its member or to Bon Secours

Health System, Inc.

Name of the organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
--	--

Form 990, Part VI, Section B, line 11: The process the organization uses

to review the Form 990 consists of a review by the local system's audit and compliance board-committee and providing the form to the local system board of directors to allow for a thorough review by both before the filing date.

The local system's audit and compliance committee and board of directors have reviewed the Form 990, scheduled time on meeting agendas, and asked questions regarding the Form 990 before the return is filed.

Form 990, Part VI, Section B, Line 12c: The organization regularly and

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

Form 990, Part VI, Section B, Line 15: The compensation committee of the

Name of the organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
--	--

board of Bon Secours Health System, Inc. (BSHSI) engages in a comprehensive process for the oversight and management of remuneration for executive employees and disqualified parties of the BSHSI. The compensation committee consists of a group of independent board members and engages an independent external compensation consultant to ensure they receive appropriate analysis of market and follow the practices necessary to obtain full compliance with the IRS's rebuttable presumption of reasonableness. The committee establishes and maintains a compensation philosophy; reviews pay practices against local, regional and national healthcare organizations and approves all remunerative decisions for this group of individuals. The committee reviews and receives assurances that all levels of pay within the organization are reasonable based on performance and validates incentives are met. These decisions are documented in the BSHSI board of director's and compensation committee minutes.

Form 990, Part VI, Section b, Line 15b - Compensation Process Other

Officers/Key Employees: For those key employees and highest paid employees that are not reviewed by the BSHSI compensation committee, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision. In the review, the other officers or key employees of the organization were compared to other hospitals' employees in the area that hold the same title. During the review and approval of the compensation, documentation of the decision was recorded in human resources.

Form 990, Part VI, Section C, Line 19: Bon Secours Hospital Baltimore, Inc. provides any documents open to public inspection upon request.

Name of the organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
--	--

Form 990, Part VII:

Avg hours devoted to related org(s) when related comp is reported:

Hours worked are not tracked on an entity by entity basis. All

officer's and director's hours reported on Form 990, Part VII,

Compensation of Officers, Directors, Trustees, Key Employees, Highest

Compensated Employees, and Independent Contractors represent aggregate

hours worked per week. Voluntary Board Members are not compensated for

their time.

Dr. Samuel Ross' compensation is paid by Bon Secours Health System,

Inc., a related organization. The compensation he receives is for his

role as the CEO of Bon Secours Baltimore Health System which includes

direct management, monitoring and oversight of Bon Secours Baltimore

Health System and its related organizations.

Martha Riva's compensation is paid by Bon Secours Health System, Inc.,

a related organization. The compensation she receives is for her role

as the SPV of Governance of Bon Secours Health System, Inc.

Brother Art Caliman and Sr. Mary Shimo do not receive payroll

distributions as they have taken vows of poverty.

Form 990, Part XI, line 5, Changes in Net Assets:

Net unrealized gains on investments: 437,624.

Amounts released from restriction -115,253.

Transfers to BSHSI - Reimbursement and Swap/Principal -1,337,422.

Add'l Minimum Pension Liability -8,246,070.

Name of the organization Bon Secours Hospital Baltimore, Inc.	Employer identification number 52-0591555
--	--

Forgiveness of debt to LMC and UMI -16,900,826.

Other Changes -140,881.

Total to Form 990, Part XI, Line 5 -26,302,828.

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.**

Name of the organization: **Bon Secours Hospital Baltimore, Inc.**
Employer identification number: **52-0591555**

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

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

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" 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
Bon Secours Health System, Inc. - 52-1301088 1505 Marriottsville Road Marriottsville, MD 21104-1301	Parent Org. Management Services	Maryland	501(c)(3)	11b	Bon Secours, Inc.		X
Bon Secours Community Health Services, Inc. - 52-1909599, 2600 Liberty Heights Avenue, Baltimore, MD 21215-7804	Medical Services Center	Maryland	501(c)(3)	9	Bon Secours Baltimore Health System, Inc.		X
The Bon Secours of Maryland Foundation, Inc. dba Community Works - 52-173280, 26 N. Fulton Avenue, Baltimore, MD 21223-1624	Community Foundation	Maryland	501(c)(3)	11b	Bon Secours Baltimore Health System, Inc.		X
Unity Properties, Inc. - 52-1857768 26 N. Fulton Avenue Baltimore, MD 21223-1624	Low Income Housing	Maryland	501(c)(3)	7	Bon Secours of Maryland Foundation		X

For Paperwork Reduction Act Notice, see the Instructions for Form 990. Schedule R (Form 990) 2011

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization?	
						Yes	No
Urban Medical Institute, Inc. - 52-1905869 2600 Liberty Heights Avenue Baltimore, MD 21215-7804	Medical Services Center	Maryland	501(c)(3)	3	Liberty Medical Center, Inc.		X
Bon Secours Baltimore Development, Inc. - 76-0785344, 26 N. Fulton Avenue, Baltimore, MD 21223-1624	Low Income Housing	Maryland	501(c)(3)	7	Unity Properties, Inc.		X
Washington Village Community Medical Center, Inc. - 52-0591555, 700 Washington Blvd, Baltimore, MD 21223-1624	Healthcare	Maryland	501(c)(3)	9	Bon Secours Baltimore Health System, Inc.		X
Bon Secours Baltimore Health System Foundation, Inc. - 38-3843816, 2000 W Baltimore Street, Baltimore, MD 21223	Grant Making Foundation	Maryland	501(c)(3)	11a	Bon Secours Baltimore Health System, Inc.		X
Bon Secours Housing - 52-1442707 26 N. Fulton Avenue Baltimore, MD 21223-1624	Low Income Housing	Maryland	501(c)(3)	9	Bon Secours of Maryland Foundation		X
Bon Secours Housing II - 52-1543174 26 N. Fulton Avenue Baltimore, MD 21223-1624	Low Income Housing	Maryland	501(c)(3)	9	Bon Secours of Maryland Foundation		X
Bon Secours Baltimore Health Corps (dba Bon Secours Baltimore Health System), 2000 W Baltimore Street, Baltimore, MD 21223-1558	Local System Parent Org	Maryland	501(c)(3)	11b	Bon Secours Health System, Inc.		X

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) Disproportion- ate 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	
Bon Secours Apartments LP - 52-1952505, 1800 W. Baltimore St, Baltimore, MD 21223	Low Income Housing	MD	Unity Housing, Inc.	Related	0.	0.		X	N/A		X	.00%
Bon Secours Apartments II LP - 52-2063512, 1800 W. Baltimore St, Baltimore, MD 21223	Low Income Housing	MD	Unity Housing, Inc.	Related	0.	0.		X	N/A		X	.00%
Liberty Senior Housing LP - 52-2134447, 1800 W. Baltimore St, Baltimore, MD 21223	Low Income Housing	MD	Unity Housing, Inc.	Related	0.	0.		X	N/A		X	.00%
Bon Secours Apartments III LP - 52-2134444, 1800 W. Baltimore St, Baltimore, MD 21223	Low Income Housing	MD	Unity Housing, Inc.	Related	0.	0.		X	N/A		X	.00%

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
Unity Housing, Inc. - 52-1952507 26 N. Fulton Avenue Baltimore, MD 21223-1624	Low Income Housing	MD	Unity Properties, Inc.	C CORP	0.	0.	.00%
Bon Secours Wayland LLC - 27-0468561 26 N. Fulton Avenue Baltimore, MD 21223-1624	Low Income Housing	MD	Unity Properties, Inc.	C CORP	0.	0.	.00%

Part III Continuation of Identification of Related Organizations Taxable as a Partnership

(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) Disproportion- ate 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	
Bon Secours Smallwood Summit - 52-2280175, 26 N. Fulton Avenue, Baltimore, MD 21223-1624	Low Income Housing	MD	Unity Housing, Inc.	Related	0.	0.	X		N/A	X		.00%
Bon Secours Chesapeake Apartments LP - 20-0107034, 26 N. Fulton Avenue, Baltimore, MD 21223-1624	Low Income Housing	MD	Chesapeake Housing, LLC	Related	0.	0.	X		N/A	X		.00%
Bon Secours Shiloh LP - 20-3965243, 26 N. Fulton Avenue, Baltimore, MD 21223-1624	Low Income Housing	MD	Bon Secours Shiloh, LLC	Related	0.	0.	X		N/A	X		.00%
Bon Secours Wayland LP - 27-0468688, 26 N. Fulton Avenue, Baltimore, MD 21223-1624	Low Income Housing	MD	Bon Secours Wayland, LLC	Related	0.	0.	X		N/A	X		.00%

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

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

	Yes	No
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity		X
b Gift, grant, or capital contribution to related organization(s)	X	
c Gift, grant, or capital contribution from related organization(s)	X	
d Loans or loan guarantees to or for related organization(s)		X
e Loans or loan guarantees by related organization(s)	X	
f Sale of assets to related organization(s)		X
g Purchase of assets from related organization(s)		X
h Exchange of assets with related organization(s)		X
i Lease of facilities, equipment, or other assets to related organization(s)		X
j Lease of facilities, equipment, or other assets from related organization(s)		X
k Performance of services or membership or fundraising solicitations for related organization(s)		X
l Performance of services or membership or fundraising solicitations by related organization(s)	X	
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		X
n Sharing of paid employees with related organization(s)		X
o Reimbursement paid to related organization(s) for expenses	X	
p Reimbursement paid by related organization(s) for expenses		X
q Other transfer of cash or property to related organization(s)		X
r Other transfer of cash or property from related organization(s)		X

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

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

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

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

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

Part VII Supplemental Information

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

Multiple horizontal lines for supplemental information.



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

Consolidated Financial Statements and Consolidating Schedules

August 31, 2012 and 2011

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Bon Secours Health System, Inc. and Subsidiaries (the System) as of August 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

KPMG LLP

October 30, 2012

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

Consolidated Balance Sheets

August 31, 2012 and 2011

(In thousands)

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Operations

Years ended August 31, 2012 and 2011

(In thousands)

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Net Assets

Years ended August 31, 2012 and 2011

(In thousands)

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended August 31, 2012 and 2011

(In thousands)

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

Supplemental disclosures:

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

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(1) Organization and Mission

(a) Organizational Structure

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

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

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

(b) Mission

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

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

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

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(c) Community Benefits

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

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

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

(i) Charitable Services – Financially Disadvantaged Persons

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

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

(ii) Charitable Services – State Programs

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

(iii) Other Community Benefits

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

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

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

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

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

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

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

(2) Significant Accounting Policies

(a) Principles of Consolidation

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

(b) Use of Estimates

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

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

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

In the years ended August 31, 2012 and 2011, the System recorded income of \$9,456 and \$16,623, respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities.

(c) Cash and Cash Equivalents

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

(d) Accounts Receivable

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

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

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

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

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

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

**BON SECOURS HEALTH SYSTEM, INC.
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Notes to Consolidated Financial Statements

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

(f) Inventories

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

(g) Property, Plant, and Equipment

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

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

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

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

(h) Asset Impairment

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

**BON SECOURS HEALTH SYSTEM, INC.
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Notes to Consolidated Financial Statements

August 31, 2012 and 2011

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

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

(i) ***Goodwill and Other Assets, Net***

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

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

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

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

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

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

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(j) *Deferred Financing Costs, Net*

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included in other assets. These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization of long-term debt issuance costs amounted to \$7,831 and \$7,966 at August 31, 2012 and 2011, respectively.

(k) *Leases*

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

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

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

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

(m) *Donor-Restricted Gifts*

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

(n) *Net Assets*

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

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

(o) Fair Values

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

(p) Net Patient Service Revenue

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

(q) Other Revenue

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

(r) Nonoperating Activities, Net

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

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(s) ***Performance Indicator***

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

(t) ***Discontinued Operations***

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

(u) ***Income Taxes***

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

(v) ***Derivative Instruments***

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

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

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

(w) Self-Insurance

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

(x) Recently Issued Accounting Pronouncements

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

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

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

(3) Property, Plant, and Equipment, Net

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

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

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

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(4) Assets Limited or Restricted as to Use

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

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

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	2012	2011
Self-insurance funds:		
Cash and cash equivalents	\$ 12,698	8,051
Equity commingled funds	16,002	13,655
Common and preferred stocks	11,359	10,205
Fixed income mutual funds	24,086	22,259
Fixed income commingled funds	23,617	22,215
	87,762	76,385
Assets limited or restricted as to use	1,011,464	948,738
Available for current liabilities	(61,336)	(78,893)
Long-term assets limited or restricted as to use	\$ 950,128	869,845

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

	2012	2011
Current portion of debt	\$ 2,742	13,361
Self-insurance programs	44,688	54,836
Foundation programs	9,218	6,355
General board-designated	4,688	4,341
	\$ 61,336	78,893

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

	2012	2011
Dividends and interest	\$ 14,885	17,252
Net realized gains on securities	11,717	37,719
Net unrealized gains on securities	38,156	31,420
	64,758	86,391
Realized and unrealized losses on derivative instruments	(21,610)	(10,031)
	\$ 43,148	76,360

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

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

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

At August 31, 2012 and 2011, the System had invested approximately \$142,838 and \$123,755, or 14.1% and 13.0%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds and real estate investment funds.

(5) Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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(6) Long-Term Debt

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

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

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

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

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

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

On January 15, 2008, the System completed a bond financing of approximately \$243,300 (Series 2008A-C Bonds). The proceeds of the sale of the Series 2008A-C Bonds together with other funds, were used to (i) pay or reimburse, or refinance certain indebtedness, the proceeds of which were used for the payment of the costs of acquiring, constructing, equipping, expanding, enlarging and improving certain healthcare facilities, (ii) refund the outstanding portion of certain prior bonds, which were outstanding with an aggregate principal amount of \$80,000, and (iii) pay certain costs incurred in connection with the issuance of the Series 2008A-C Bonds and the refunding of the prior bonds, including the costs of bond insurance policies and liquidity enhancement (in the form of standby bond purchase agreements provided by various banks) for the Series 2008A-C Bonds. As initially issued, the Series 2008A-C Bonds bore interest at a weekly interest rate.

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

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

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

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

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

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

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

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

On October 19, 2010 the Obligated Group completed a bond financing of \$40,740 (referred to as the Series 2010 Bonds). The proceeds of the sale of the Series 2010 Bonds were used to (i) pay a swap termination payment of \$38,972 and (ii) pay related costs of issuance. The Series 2010 Bonds were issued through the Virginia Small Business Financing Authority. The Series 2010 Bonds are secured by an irrevocable direct pay letter of credit with a stated maturity of September 2013. The Series 2010 Bonds are bonds remarketed weekly and bear interest at a weekly rate established by the market.

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

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

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

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

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

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

Frances Schervier Home and Hospital (Schervier) is located in the Bronx, New York and is indirectly controlled by BSHSI. Schervier is not a member of the BSHSI obligated group. Schervier is the obligor on certain Series 1997 fixed rate bonds issued by the Dormitory Authority of the State of New York with an outstanding principal amount of \$31,725. Pursuant to its loan agreement, Schervier covenanted to maintain certain minimum financial ratios. At December 31, 2010, Schervier was not in compliance with its annual debt service coverage ratio (the Coverage Ratio). Therefore, such debt is included within the current portion of long-term debt as of August 31, 2011. At December 31, 2011, Schervier was not in compliance with the Coverage Ratio. Accordingly, management requested and received waivers of compliance with the Coverage Ratio for the calendar years ended December 31, 2011 and 2012. Accordingly, such debt has been classified as long-term at August 31, 2012, except for the amounts that are payable in the following year, which are classified as current.

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

(7) Interest Rate Risk Management

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

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

Description	#	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ 8/31/2012	Counterparties	Mark to market	Collateral thresholds
Fixed Payer	1	\$ 50,710	3.448%	Nov-2025	\$ —	Goldman Sachs	\$ (7,612)	10,000
Fixed Payer	1	76,065	3.491%	Nov-2025	—	Deutsche Bank	(11,611)	20,000
			3.420%	Aug-2026				
Fixed Payer	2	121,875	4.460%	Nov-2028	—	Merrill Lynch	(27,409)	*
			3.384%	Oct-2025				
Fixed Payer	2	121,350	4.485%	Oct-2026	14,285	JP Morgan	(29,441)	15,000
Fixed Payer	1	69,925	3.454%	Nov-2042	—	PNC Bank	(22,976)	*
	7	439,925			14,285		(99,049)	
Fixed Basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	4,829	20,000
Variable Basis	3	488,500	SIFMA	Nov-2029	—	Merrill Lynch	(7,305)	*
Total derivatives	11	\$ 1,128,425			\$ 14,285		(101,525)	\$ 65,000
						Valuation adjustments	7,265	
							\$ (94,260)	

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

Description	#	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ 8/31/2011	Counterparties	Mark to market	Collateral thresholds
Fixed Payer	1	\$ 56,360	3.448%	Nov-2025	\$ —	Goldman Sachs	\$ (6,864)	10,000
Fixed Payer	1	84,540	3.491%	Nov-2025	—	Deutsche Bank	(10,515)	20,000
			3.420%	Aug-2026				
Fixed Payer	2	127,575	4.460%	Nov-2028	—	Merrill Lynch	(24,010)	*
			3.384%	Oct-2025				
Fixed Payer	2	125,200	4.485%	Oct-2026	11,086	JP Morgan	(26,085)	15,000
Fixed Payer	1	69,925	3.454%	Nov-2042	—	Citigroup	(15,209)	*
	7	463,600			11,086	Citigroup	(82,683)	
Fixed Basis	1	200,000	SIFMA	Jan-2029	—	Merrill Lynch	(1,533)	20,000
Variable Basis	3	501,000	SIFMA	Nov-2029	—		(12,610)	*
Total derivatives	11	\$ 1,164,600			\$ 11,086		(96,826)	\$ 65,000
						Valuation adjustments	8,745	
							\$ (88,081)	

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The unrealized losses of \$6,178 and unrealized gains of \$8,402 for the years ended August 31, 2012 and 2011, respectively, relating to these nonqualifying derivative activities are recorded within nonoperating investment gains, net in the accompanying consolidated statements of operations.

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

On September 28, 2010, the System terminated four fixed payor swaps with a notional value of \$173,355 that were integrated with the Series 2008B-C bonds that converted from variable rate to fixed interest rate bonds. On October 19, 2010, the System paid \$38,972 to the counterparty to terminate these swaps.

(8) Noncontrolling Interest

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

	Unrestricted net assets- controlling interest	Unrestricted net assets- noncontrolling interest	Total unrestricted net assets
Balance as of August 31, 2010	\$ 500,722	144,397	645,119
Excess of continuing revenues over expenses	85,886	29,313	115,199
Net change in unrealized gains on other than trading securities	1,563	—	1,563
Net assets released from restrictions used for purchase of property, plant, and equipment	3,661	—	3,661
Net change in equity of joint ventures	3,060	—	3,060
Pension and other postretirement adjustments	46,882	—	46,882
Distributions to noncontrolling interest owners	—	(5,080)	(5,080)
Transfers to affiliates and other changes, net	(3,312)	(3,820)	(7,132)
Increase in net assets	<u>137,740</u>	<u>20,413</u>	<u>158,153</u>
Balance as of August 31, 2011	<u>638,462</u>	<u>164,810</u>	<u>803,272</u>

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

(9) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The System expects to contribute \$37,323 to its pension plans in fiscal year 2013.

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

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

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

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

Multi-Employer Plans

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

(a) *Archdiocesan Plan*

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

(b) *1199 SEIU Health Care Employees Pension Fund*

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

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

The expiration date of the collective bargaining agreements requiring contributions to the plan are April 30, 2015 for service and maintenance units and June 30, 2015 for nursing units. The contributions by the System to the union pension fund were \$7,523 and \$6,810 for the years ended August 31, 2012 and 2011. There have been no significant changes that affect the comparability of 2012 and 2011 contributions. The System was not listed in the plan's most recent available annual report (Form 5500 for U.S. Plans) for providing more than 5% of the total contributions to the plan for the years ended December 31, 2010 and 2009.

(10) Reimbursement Programs

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

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

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

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

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

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

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

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

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(11) Investments in Joint Ventures and Nonpublic Entities

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

(a) Roper St. Francis Healthcare – South Carolina

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

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

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

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

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

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

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

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

(c) *Sentara Princess Anne*

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

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

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

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

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

(12) Sales and New Businesses

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

(13) Other Commitments and Contingent Liabilities

(a) General and Professional Liability Insurance

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

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

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(b) Workers' Compensation Insurance

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

(c) Employee Health Insurance

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

(d) Litigation

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

(e) Operating Leases

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

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

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

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

(f) Guaranty Agreements

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

(14) Net Assets

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

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

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

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

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

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

(15) Functional Expenses

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

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

(16) Subsequent Events

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