

Iowa Health System and Subsidiaries

Accountants' Report and Consolidated Financial Statements

December 31, 2010 and 2009



Iowa Health System and Subsidiaries

December 31, 2010 and 2009

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Independent Accountants' Report

Board of Directors
Iowa Health System and Subsidiaries

We have audited the accompanying consolidated balance sheets of Iowa Health System and Subsidiaries (the Health System) as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Health System's management. Our responsibility is to express an opinion on these 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial position of Iowa Health System and Subsidiaries as of December 31, 2010 and 2009 and the results of their operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying supplementary consolidating information included on pages 46-61 is presented for purposes of additional analysis of the 2010 basic consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies, and is not a required part of the 2010 basic consolidated financial statements. This additional information is the responsibility of the Health System's management. The consolidating information has been subjected to the procedures applied in the audit of the 2010 basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2010 basic consolidated financial statements taken as a whole.

BKD, LLP

April 12, 2011

Iowa Health System and Subsidiaries
Consolidated Balance Sheets
December 31, 2010 and 2009

Assets

	<u>2010</u>	<u>2009</u>
	<i>(in thousands)</i>	
Current Assets		
Cash and cash equivalents	\$ 80,121	\$ 92,037
Short-term investments	230,061	167,406
Assets limited as to use – required for current liabilities	11,443	17,307
Patient accounts receivable, less estimated uncollectibles; 2010 – \$43,507, 2009 – \$47,860	255,702	243,610
Other receivables	20,271	18,700
Inventories	45,460	41,922
Prepaid expenses	21,005	16,538
	<u>664,063</u>	<u>597,520</u>
Assets Limited As to Use, Noncurrent		
Held by trustee under bond indenture agreements	2,924	17,838
Internally designated	771,232	662,780
	<u>774,156</u>	<u>680,618</u>
	774,156	680,618
Property, Plant and Equipment, Net	943,349	969,508
Other Long-term Investments	205,434	167,003
Investments in Joint Ventures and Other Investments	36,264	39,176
Contributions Receivable, Net	54,141	52,355
Other	25,420	28,452
	<u>25,420</u>	<u>28,452</u>
Total assets	<u>\$ 2,702,827</u>	<u>\$ 2,534,632</u>

Liabilities and Net Assets

	2010	2009
	<i>(in thousands)</i>	
Current Liabilities		
Current maturities of long-term debt	\$ 33,552	\$ 36,812
Accounts payable	72,266	70,640
Accrued payroll	111,608	100,927
Accrued interest	9,629	11,565
Estimated settlements due to third-party payers	39,024	45,109
Other current liabilities	38,681	43,611
	<hr/>	<hr/>
Total current liabilities	304,760	308,664
Long-term Debt, Net	657,979	667,779
Other Long-term Liabilities	167,184	150,928
	<hr/>	<hr/>
Total liabilities	1,129,923	1,127,371
	<hr/>	<hr/>
Net Assets		
Unrestricted	1,484,242	1,320,881
Temporarily restricted	45,494	45,009
Permanently restricted	43,168	41,371
	<hr/>	<hr/>
Total net assets	1,572,904	1,407,261
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 2,702,827</u>	<u>\$ 2,534,632</u>

Iowa Health System and Subsidiaries
Consolidated Statements of Operations
Years Ended December 31, 2010 and 2009

	2010	2009
	<i>(in thousands)</i>	
Unrestricted Revenue		
Net patient service revenue	\$ 2,126,978	\$ 1,967,219
Other operating revenue	105,565	106,187
Net assets released from restrictions used for operations	8,376	7,694
Total unrestricted revenue	2,240,919	2,081,100
Expenses		
Salaries and wages	790,573	740,360
Physician compensation and services	222,940	188,671
Employee benefits	216,145	209,453
Supplies	375,614	353,567
Other expenses	324,686	315,727
Depreciation and amortization	124,127	119,173
Interest	32,239	26,007
Provision for uncollectible accounts	96,965	68,346
Total expenses	2,183,289	2,021,304
Operating Income	57,630	59,796
Nonoperating Gains (Losses)		
Investment income	117,427	138,510
Other, net	(9,587)	(20,918)
Total nonoperating gains (losses), net	107,840	117,592
Revenue Over Expenses Before Loss on Revenue Bond Refinancing Transactions	165,470	177,388
Loss on revenue bond refinancing transactions	-	(9,390)
Revenue Over Expenses	165,470	167,998
Change in net unrealized gains and losses on investments	-	27,595
Change in net unrealized gains and losses on swaps	(7,294)	93,207
Net assets released from restrictions used for capital expenditures	4,948	7,505
Change in defined benefit pension plan gains and losses and prior costs or credits	(1,987)	28,451
Contributions of or for acquisition of property and equipment	1,061	770
Other, net	1,163	(27)
Increase in Unrestricted Net Assets	\$ 163,361	\$ 325,499

Iowa Health System and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009
	<i>(in thousands)</i>	
Unrestricted Net Assets		
Revenue over expenses	\$ 165,470	\$ 167,998
Change in net unrealized gains and losses on investments	-	27,595
Change in net unrealized gains and losses on swaps	(7,294)	93,207
Net assets released from restrictions used for capital expenditures	4,948	7,505
Change in defined benefit pension plan gains and losses and prior costs or credits	(1,987)	28,451
Contributions of or for acquisition of property and equipment	1,061	770
Other, net	1,163	(27)
	<u>163,361</u>	<u>325,499</u>
Increase in unrestricted net assets		
Temporarily Restricted Net Assets		
Contributions	3,908	13,342
Investment income	1,546	803
Government grants	723	1,145
Scholarships, loan cancellations and receivable payments	-	(10)
Net assets released from restrictions used for operations	(8,376)	(7,694)
Net assets released from restrictions used for capital expenditures	(4,948)	(7,505)
Change in net unrealized gains and losses on investments	192	1,470
Change in beneficial interest in net assets of affiliate	7,578	10,052
Other, net	(138)	736
	<u>485</u>	<u>12,339</u>
Increase in temporarily restricted net assets		
Permanently Restricted Net Assets		
Contributions	250	361
Investment income	1,213	1,878
Change in net unrealized gains and losses on investments	163	441
Change in beneficial interest in net assets of affiliate	139	(205)
Other, net	32	283
	<u>1,797</u>	<u>2,758</u>
Increase in permanently restricted net assets		
Increase in Net Assets	165,643	340,596
Net Assets, Beginning of Year	1,407,261	1,066,665
Net Assets, End of Year	\$ 1,572,904	\$ 1,407,261

Iowa Health System and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
	<i>(in thousands)</i>	
Operating Activities		
Increase in net assets	\$ 165,643	\$ 340,596
Items not requiring (providing) operating cash		
Net gains on investments	(103,686)	(152,512)
Net unrealized (gains) losses on swaps	17,254	(75,150)
Restricted contributions, investment income and government grants received	(7,640)	(17,529)
Contributions of or for acquisition of property and equipment	(1,061)	(770)
Depreciation and amortization	124,127	119,173
Change in defined pension plans' liability	1,987	(28,451)
Transfer of Trinity Muscatine net assets	-	(1,020)
Amortization of debt issuance costs	375	445
(Gain) loss on disposition of assets	(968)	2,193
Loss on revenue bond refinancing transactions	-	9,390
Equity in earnings of joint ventures	(16,795)	(16,969)
Change in beneficial interest in net assets of affiliate	(7,717)	(9,847)
Changes in		
Receivables	(13,101)	30,985
Inventories and prepaid expenses	(4,103)	(5,041)
Accounts payable, accrued liabilities and other liabilities	11,998	(19,052)
Due to third-party payers	(5,932)	602
Net cash provided by operating activities	160,381	177,043
Investing Activities		
Capital expenditures	(98,457)	(183,047)
Proceeds from sale of assets	3,281	1,574
(Increase) decrease in assets limited as to use, net	(5,794)	14,924
Acquisition of Des Moines Parking Associates, less cash acquired	(2,550)	-
Increase in short-term investments	(62,655)	(119,306)
Increase in other long-term investments	(12,250)	(39,291)
Investments in joint ventures	(343)	(373)
Distributions received from joint ventures	15,807	21,534
Net cash used in investing activities	(162,961)	(303,985)
Financing Activities		
Proceeds from issuance of long-term debt	441	646,934
Payments of debt	(18,478)	(606,197)
Payments of financing costs	-	(8,554)
Proceeds from restricted contributions, investment income and government grants	7,640	15,050
Proceeds from contributions for acquisition of property and equipment	1,061	770
Net cash provided by (used in) financing activities	(9,336)	48,003
Decrease in Cash and Cash Equivalents	(11,916)	(78,939)
Cash and Cash Equivalents, Beginning of Year	92,037	170,976
Cash and Cash Equivalents, End of Year	\$ 80,121	\$ 92,037

Iowa Health System and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2010 and 2009

	2010	2009
	<i>(in thousands)</i>	
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 34,477	\$ 22,526
Capital lease obligations incurred for property and equipment	2,829	60
Property and equipment purchases in accounts payable	7,407	15,004
Affiliation with Trinity Muscatine		
Assets acquired	-	24,479
Liabilities assumed	-	24,792
Acquisition of Des Moines Parking Associates		
Assets acquired	5,262	-
Liabilities assumed	2,725	-

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Organization

Iowa Health System is an Iowa nonprofit corporation formed in December 1994. Iowa Health System and its subsidiaries (the Health System) provide inpatient and outpatient care and physician services from fourteen hospital facilities and various ambulatory service and clinic locations in Iowa and Illinois. Primary, secondary and tertiary care services are provided to residents of Iowa and adjacent states.

Basis of Presentation

The consolidated financial statements include the accounts of Iowa Health System and its subsidiaries listed below:

- Central Iowa Health System and Subsidiaries (d/b/a Iowa Health - Des Moines) (Des Moines)
- Trinity Regional Health System and Subsidiaries (Rock Island)
- St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
- Allen Health Systems, Inc. and Subsidiaries (Waterloo)
- Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
- St. Luke's Health System, Inc. (Sioux City)
- Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
- Iowa Physicians Clinic Medical Foundation (d/b/a Iowa Health Physicians)
- Intrust (d/b/a Iowa Health Home Care)

On July 1, 2009, Trinity Regional Health System (TRHS) and Trinity Muscatine (formerly Unity HealthCare) entered into an Affiliation agreement under which Trinity Muscatine became a controlled affiliate of TRHS on that date. At December 31, 2009, TRHS has recorded \$25,370 of total assets and net revenues of \$23,806 for the six months ended December 31, 2009. Unity HealthCare officially adopted the d/b/a Trinity Muscatine on April 1, 2010.

All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Cash Equivalents and Short-term Investments

Cash equivalents consist of demand deposits, repurchase agreements, money market funds and other debt securities with original maturities of three months or less at the date of purchase, other than those included in assets limited as to use. Short-term investments consist of debt securities with maturities between 91 and 365 days of the balance sheet date.

Assets Limited as to Use

Assets limited as to use include amounts held by trustees under bond indenture agreements and related documents and assets internally designated by the Board of Directors for identified purposes and over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities are classified as current assets.

Inventories

Inventories consist of supplies and are stated at the lower of cost or market.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in fixed income securities are measured at fair value in the consolidated balance sheets. The fair values are based on quoted market prices or dealer quotes.

Investments in joint ventures and other affiliates, which are more than 20% and not more than 50% owned, are recorded using the equity method. Other investments are reported at cost, as adjusted for permanent impairment in value, if any.

Realized gains and losses from the sale of investments, interest and dividends, except those earned as a function of operations, and unrealized gains and losses on investments classified as trading securities and those carried at fair value pursuant to ASC Topic 825, are reported as non-operating gains or losses unless restricted by a donor. Unrealized gains and losses on those investments accounted for at fair value and realized gains and losses and investment income on investments restricted by donors are included as a component of the change in net assets.

During 2009, the System changed its investment strategy and investment portfolio from available-for-sale securities to trading securities. Effective January 1, 2009, unrealized gains and losses are recorded in earnings as a component of revenues over expenses. These investments were previously held as available-for-sale securities with unrealized gains and losses excluded from earnings until realized. The change also required unrealized gains and losses not previously recognized in earnings to be recognized immediately. This resulted in net unrealized losses of \$28,289 being recorded in revenues over expenses for the year ended December 31, 2009.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

The Health System elected the fair value option for its private investment funds (PIF) that are primarily limited liability corporations and partnerships. Management has elected the fair value option for the private investment funds because it more accurately reflects the portfolio returns and financial position of the Health System. Gains and losses on investments subject to the fair value option are reported in investment income on the statement of operations.

Refer to *Notes 4 and 12* for additional disclosures regarding balance sheet line items and fair value of those investments carried under Topic 825.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost less accumulated depreciation. Depreciation is provided primarily using the straight-line method over the estimated useful lives of the assets. Depreciation of assets under capital lease is provided using the straight-line method over the shorter of the lease term or the estimated useful life of the assets. Donated property, plant and equipment are recorded at fair market value at the date of donation.

The Health System capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for a project, net of interest earned on investments acquired with the proceeds of the borrowing. During 2010 and 2009, the Health System capitalized \$242 and \$3,680 of interest expense, offset by \$0 and \$806 of interest income, respectively.

Long-lived Asset Impairment

The Health System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2010 and 2009.

Other Assets

Other assets include certain patient records, goodwill and other intangible assets that are stated at cost less accumulated amortization. Annually, the Health System performs an impairment test of all goodwill and any identified impairment loss is recognized as expense. Other assets also include deferred financing costs, which are amortized over the period the obligation is expected to be outstanding. The Health System has \$3,446 and \$2,107 of goodwill at December 31, 2010 and 2009. Other intangible assets at December 31, 2010 and 2009 were \$12,346 and \$12,107, respectively, which are subject to amortization.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Net Assets

Net assets are classified into three mutually exclusive classes: unrestricted, temporarily restricted and permanently restricted. The three classes are based on the presence or absence of donor-imposed restrictions. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors in perpetuity. The expiration of donor restrictions is recorded in the period in which the restrictions expire.

Temporarily restricted net assets are generally restricted for capital expenditures, passage of time or other donor specified restrictions. Absent specific donor instructions, the income from permanently restricted net assets is available for unrestricted purposes.

Revenues and Expenses

Revenues and expense transactions affecting unrestricted net assets are reflected in the consolidated statements of operations. Consistent with industry practice, unrealized gains and losses on investments other than trading securities (excluding impairment that is other than temporary), the effective portion of derivative instruments qualifying for hedge accounting carried at fair value, change in defined benefit plans and contributions of long-lived assets (including assets acquired with donor-restricted cash contributions) are excluded from determination of the excess of revenues over expenses. Transactions related to temporarily or permanently restricted net assets are recorded as additions or deductions to net assets and reflected in the consolidated statements of changes in net assets. Minority interest included as part of revenue over expenses is \$1,142.

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue is reported at the estimated net realizable amount primarily from patients and third-party payers for services provided, including retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period in which the related services are provided, and adjusted in future periods as final settlements are determined.

The Health System provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Health System bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Patient service revenue at established rates less third-party payer contractual adjustments and charity care consisted of the following for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Patient service revenue	\$ 4,841,549	\$ 4,393,741
Allowances for contractual adjustments	<u>(2,714,571)</u>	<u>(2,426,522)</u>
Net patient service revenue	<u>\$ 2,126,978</u>	<u>\$ 1,967,219</u>

Charity Care

The Health System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Amounts determined to be charity care are not reported as revenue.

Functional Expenses

The Health System provides general health care services, including acute inpatient, outpatient, physician, ambulatory, long-term and home health care, and incurs related general and administrative expenses. Expenses related to providing these services were as follows:

	<u>2010</u>	<u>2009</u>
General health care services	\$ 1,721,113	\$ 1,567,365
Management, general and administrative	459,527	451,432
Research	<u>2,649</u>	<u>2,507</u>
	<u>\$ 2,183,289</u>	<u>\$ 2,021,304</u>

Contributions and Beneficial Interest in Net Assets

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-imposed restrictions are considered fulfilled as soon as the stipulated time has expired or the qualifying expenditure has been made.

Contributions not expected to be collected within a year are recorded at the present value of expected future cash flows using a risk-free interest rate over the term of the contribution. Contributions of property are recorded at fair value when received.

Iowa Health System and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in Thousands)
December 31, 2010 and 2009

Interest in charitable trusts and perpetual trusts is carried at the present value of expected future cash flows. The Health System's interest in the net assets (the Interest) of certain foundations that raise and hold assets on behalf of the Health System is accounted for in a manner similar to the equity method. The Interest is stated at fair value, and changes in the Interest are included in the change in net assets. Transfers of assets between these foundations and the Health System are recognized as increases or decreases in the Interest.

Estimated Malpractice Costs, Health Insurance and Workers' Compensation

An annual estimated provision is accrued for the self-insured portion of medical malpractice, health insurance and workers' compensation claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

Interest Rate Swap Agreements

The Health System has entered into various interest rate swap agreements (the Swaps) to reduce the effect of changes in cash flows primarily related to interest rate fluctuations on the Health System's various variable rate demand bond issues. The Swaps were entered into for the risk management purpose of reducing the variability in cash flows related to the Health System's variable rate debt.

As described in *Note 7*, the Health System has designated certain swaps as hedges, while other swaps have not been designated as hedging instruments. The effective portion of changes in the fair value of swaps designated as hedges is recognized as a component of other changes in net assets, while the ineffective portion of these swaps changes in fair value, and all changes in fair value of swaps not designated as hedges, is recorded as a component of revenues over expenses.

The Swaps are recognized on the consolidated balance sheets at fair value. The net cash payments or receipts under the Swaps designated as hedging instruments are recorded as an increase or decrease to interest expense. The net cash payments or receipts under the Swaps not designated as hedges are recorded as an increase or decrease to other income (loss).

Income Taxes

Iowa Health System and most of its subsidiaries are classified as tax-exempt organizations as described in Sections 501(c)(3) and 501(c)(2) of the Internal Revenue Code (the Code). Tax-exempt organizations are not subject to federal and state income taxes on related income, pursuant to Section 501(a) of the Code. These organizations are subject to federal and state income taxes to the extent they have unrelated business income as described under provisions of Section 511 of the Code.

The Health System files Form 990 for substantially all of its operating entities in the U.S. federal jurisdiction and is no longer subject to examination by tax authorities for the years before 2007. The Health System has no material uncertain tax positions.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Certain subsidiaries are subject to federal and state income taxes. Some of these corporations have accumulated net operating loss carryforwards that are available to offset future taxable income during the carryforward period. No income tax benefit has been recognized for the net operating loss carryforwards or other potential deferred tax assets in the consolidated financial statements because the Health System believes realization of these benefits is unlikely.

Retirement Plans

Substantially all employees meeting age and length of service requirements participate in defined contribution plans. Certain subsidiaries have prior defined benefit plans that have been substantially frozen. Pension costs for the defined benefit plans, which are composed of normal costs and amortization of prior service costs related to defined benefit plans, are funded currently.

Subsequent Events

Subsequent events have been evaluated through April 12, 2011, which is the date the financial statements were issued.

Note 2: Community Benefit

The Health System provides service to eligible patients at reduced or no cost based upon the individual patient's financial situation. During the collection process, certain accounts are classified by the Health System as charity care and, therefore, not reported as revenue. In some cases, the charity care is subsidized by contributions from volunteer organizations or other donors.

Community benefit is also provided through reduced price services and free programs offered throughout the year. The Health System provides an array of uncompensated activities and services intended to meet community health needs. These activities include wellness programs, community education programs, and various health screening programs.

The Health System has calculated the costs for providing community benefit related to the following:

	<u>2010</u>	<u>2009</u>
Charity care	\$ 33,969	\$ 38,525
Medicaid	54,352	48,164
Other activities	<u>63,672</u>	<u>41,771</u>
	<u>\$ 151,993</u>	<u>\$ 128,460</u>

Medicaid and other activities amounts listed are unaudited.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Note 3: Third-Party Reimbursement

As a provider of health care services, the Health System generally grants credit to patients without requiring collateral or other security. The Health System routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies. These health insurance programs or providers are commonly referred to as third-party payers and include the Medicare and Medicaid programs, Wellmark and various health maintenance and preferred provider organizations.

A major portion of the Health System's revenues is derived from these third-party payers. Significant changes have been made, and may be made, in certain of these programs, which could have a material, adverse impact on the financial condition of the Health System. These changes include federal and state laws and regulations, particularly those pertaining to Medicare and Medicaid.

The Health System has agreements with certain third-party payers that provide for payment of services at amounts different from established rates. Third-party payer payment rates vary by payer and include established charges; contracted rates less than established charges; prospectively determined rates per discharge, per procedure, or per diem; retroactively determined cost-based rates; and periodic revenue at capitated rates per covered life for patients of employed physician groups.

Gross patient service revenue (based on established rates) by payer for 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Medicare	43%	43%
Medicaid	11	11
Wellmark	21	21
Commercial	19	20
Self-pay and other	6	5
	<u>100%</u>	<u>100%</u>

Gross patient accounts receivable (based on established rates) by payer class at December 31 were as follows:

	<u>2010</u>	<u>2009</u>
Medicare	32%	31%
Medicaid	10	11
Wellmark	17	14
Commercial	27	29
Self-pay and other	14	15
	<u>100%</u>	<u>100%</u>

Iowa Health System and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in Thousands)
December 31, 2010 and 2009

Illinois Medicaid State Plan

The Illinois Medicaid State Plan has an annual tax assessment on certain hospital providers. Under the amended Illinois Medicaid State Plan, proceeds from the tax assessment are used to obtain federal matching funds, all of which must be distributed to Illinois hospitals and physicians to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients. The Health System's tax assessment and contribution all relate to Trinity Regional Health System.

In 2010 and 2009, the Health System's tax assessment and contribution was \$8,312 and \$8,386, respectively, and is included in operating expenses in the 2010 and 2009 consolidated statements of operations. Additional Medicaid reimbursement in the same periods is approximately \$14,375 and \$14,375 and is included in net patient service revenue in the 2010 and 2009 consolidated statements of operations, respectively, resulting in a net increase in 2010 and 2009 operating income of \$6,063 and \$5,989, respectively.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Note 4: Investments

Investment Summary

Short-term investments consist of debt securities and totaled \$230,061 and \$167,406 at December 31, 2010 and 2009, respectively.

A summary of investments reported as assets limited as to use at December 31 is as follows:

	2010	2009
Held by trustees under bond indenture agreements		
Cash and short-term investments	\$ 2,874	\$ 17,773
Mortgage-backed securities	50	65
	<u>2,924</u>	<u>17,838</u>
Internally designated		
Cash and short-term investments	12,085	19,099
U.S. Treasury obligations	30,826	28,507
U.S. Government agency obligations	15,168	1,893
Asset-backed securities		
Home equity	9,507	8,791
Other	2,117	1,310
Mortgage-backed securities		
Government	26,199	27,751
Non-government	31,548	23,485
Certificates of deposit	474	474
Corporate bonds	38,169	40,354
Corporate bonds - PIF	139,008	133,174
Equity securities		
Domestic	92,407	102,033
Equity securities - PIF		
Domestic	121,367	121,905
International	69,351	63,146
Mutual funds		
International	61,142	38,090
Emerging markets	68,293	11,007
Hedge fund of funds	63,607	58,097
Interest receivable	1,407	971
	<u>782,675</u>	<u>680,087</u>
Total assets limited as to use	785,599	697,925
Less amount required to meet current obligations	<u>11,443</u>	<u>17,307</u>
Noncurrent portion of assets limited as to use	<u>\$ 774,156</u>	<u>\$ 680,618</u>

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Assets held by trustee under bond indenture agreements are required to be held in separate trust accounts. A summary of these trust accounts aggregated by their required use at December 31 is as follows:

	<u>2010</u>	<u>2009</u>
Construction accounts	\$ -	\$ 14,913
Collateral and other accounts	<u>2,924</u>	<u>2,925</u>
	<u>\$ 2,924</u>	<u>\$ 17,838</u>

Internally designated assets are summarized below based on the designation at December 31:

	<u>2010</u>	<u>2009</u>
Capital improvements	\$ 749,503	\$ 641,926
Self-insured reserves	32,803	37,878
Bond interest account	<u>369</u>	<u>283</u>
	<u>\$ 782,675</u>	<u>\$ 680,087</u>

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Investments presented as other long-term investments at December 31 are summarized as follows:

	2010	2009
Restricted cash and short-term investments	\$ 3,106	\$ 3,443
U.S. Treasury obligations	7,422	6,527
U.S. Government agency obligations	3,403	509
Asset-backed securities		
Home equity	2,084	1,794
Other	464	267
Mortgage-backed securities		
Government	5,841	5,843
Non-government	7,033	4,944
Corporate bonds	8,261	8,139
Corporate bonds - PIF	30,471	27,174
Equity securities		
Domestic	32,654	24,194
Equity securities - PIF		
Domestic	26,604	24,875
International	15,202	12,885
Mutual funds		
Domestic	15,419	18,517
International	14,547	9,004
Emerging markets	14,655	2,107
Hedge fund of funds	13,943	11,855
Interest receivable	299	186
Insurance policies	4,026	4,363
Interest rate swaps (<i>see Note 7</i>)	-	377
	<hr/>	<hr/>
Total other long-term investments	<u>\$ 205,434</u>	<u>\$ 167,003</u>

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

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The following schedule summarizes the investment return and its classification in the consolidated financial statements for the year ended December 31:

	2010	2009
Investment return		
Interest and dividends	\$ 18,802	\$ 18,748
Realized gains and losses on sales of investments	53,890	(1,623)
Unrealized gains and losses on trading investments	11,918	30,345
Unrealized gains and losses on other than trading investments	355	29,506
Equity	16,795	16,969
Change in fair value of investments accounted for under the fair value option of FASB ASC Topic 825	37,523	98,056
	<u>\$ 139,283</u>	<u>\$ 192,001</u>
Investment return classification		
Unrestricted net assets		
Other operating revenue	\$ 18,742	\$ 21,304
Nonoperating gains and losses – investment income	117,427	138,510
Change in net unrealized gains and losses on investments	-	27,595
Temporarily restricted net assets	1,738	2,273
Permanently restricted net assets	1,376	2,319
	<u>\$ 139,283</u>	<u>\$ 192,001</u>

Private Investment Funds

At December 31, 2010 and 2009, 48% and 52%, respectively, of the Health System's investments are invested in private investment funds whose portfolios are primarily invested in debt and marketable equity securities. These investments are included in internally designated and other long-term investments in the investment summary tables (previously presented) based on the underlying investments. The amounts included in the investment summary tables are as follows:

	2010	2009
Corporate bonds	\$ 169,479	\$ 160,348
Equity securities	232,524	222,811
Hedge fund of funds	77,550	69,952
	<u>\$ 479,553</u>	<u>\$ 453,111</u>

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The private investment funds are primarily limited partnerships and limited liability companies including one hedge fund-of-funds. The underlying investments of these funds are primarily debt and marketable equity securities. The investment strategies for each fund vary but include low return volatility through tactical investment strategies, investing in growth or value securities for long-term growth and to earn a total rate of return in excess of rates of return compared to a standard index. There is no public market for shares in the private investment funds. The value of the investments in the private investment funds is determined based on the fair values of the underlying securities.

The private investment funds generally have certain limits regarding advance notice and timing of withdrawals. They generally require advance notice of at least two days prior to a month end to withdraw funds. One fund that represents about 17% of the private investment funds requires a 95-day notice to withdraw funds either quarterly or semiannually based on the initial purchase date of the investments. In addition, withdrawals may be limited by the private investment funds underlying investment funds ability to liquidate their holdings.

Investments in Joint Ventures

At December 31, 2010 and 2009, investments in joint ventures amounted to \$26,327 and \$28,161, respectively. Other investments consist primarily of cash surrender value of life insurance policies and real estate held for investment.

The joint ventures consist of 36 privately held health care organizations in which the Health System's ownership interest ranges from 3% to 50% interest. The joint ventures at December 31, 2010 and 2009 had total assets aggregating \$137,522 and \$154,626, respectively. Net revenues of the joint ventures totaled \$139,626 in 2010 and \$148,819 in 2009. The excess of revenues over expenses for the joint ventures, in the aggregate, were \$39,971 in 2010 and \$38,823 in 2009. The Health System's share of earnings on the investments in joint ventures is included in other operating revenue in the consolidated statements of operations and totaled \$16,795 in 2010 and \$16,969 in 2009. The Health System made new investments in joint ventures of \$343 in 2010 and \$373 in 2009 and received distributions from joint ventures of \$15,807 in 2010 and \$21,534 in 2009.

The Health System both purchases services and sells services and supplies to several joint ventures. In 2010 and 2009, services purchased from joint ventures totaled \$10,370 and \$28,407, respectively. Services and supplies sold to joint ventures in 2010 and 2009 were \$7,261 and \$8,740, respectively.

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Note 5: Property, Plant and Equipment

Property, plant and equipment are stated at cost and are summarized at December 31, 2010 and 2009 as follows:

	2010	2009
Land	\$ 52,940	\$ 49,176
Land improvements	43,758	44,096
Buildings, improvements and fixed equipment	1,362,863	1,310,467
Moveable equipment	864,826	850,380
	<u>2,324,387</u>	<u>2,254,119</u>
Less accumulated depreciation and amortization	1,413,950	1,325,911
	<u>910,437</u>	<u>928,208</u>
Construction/information systems installation in progress	32,912	41,300
Net property, plant and equipment	<u><u>\$ 943,349</u></u>	<u><u>\$ 969,508</u></u>

As of December 31, 2010 and 2009, the Health System has committed approximately \$96,223 and \$62,887, respectively, for costs related to various hospital construction/information systems projects. The Health System will fund the projects through internal funds.

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Note 6: Long-term Debt

Long-term debt at December 31, 2010 and 2009 is summarized as follows:

	Payable Through	Issuance Type	Interest Rate (1)	2010	2009
Hospital Facility Revenue Bonds					
Series 2009A	2035	Variable	0.28%, 0.20%	\$ 54,375	\$ 55,260
Series 2009B	2035	Variable	0.28%, 0.20%	54,375	55,260
Series 2009C	2035	Variable	1.16%, 0.21%	31,245	31,750
Series 2009D	2035	Variable	0.36%, 0.23%	58,065	59,000
Series 2009E	2039	Variable	0.36%, 0.23%	43,000	43,000
Series 2009F	2039	Fixed	5.00%	50,000	50,000
Series 2008A	2037	Fixed	2.5% - 5.625%	148,050	150,000
Series 2008	2028	Variable	13.16%, 13.08%	4,528	4,528
Series 2006	2031	Variable	1.34%, 0.24%	13,485	13,845
Series 2005	2031	Fixed	4.50%	3,722	3,820
Series 2005A	2035	Fixed	2.5% - 5.625%	198,060	201,270
Series 2000	2010	Fixed	6.50%	-	4,420
Series 1985	2015	Fixed	4.40%	1,980	-
Series 1985B	2015	Variable	0.27%, 0.25%	23,000	23,000
Total hospital facility revenue bonds				683,885	695,153
Capital lease obligations, due through 2015			0% - 16.93%	4,328	3,551
Other notes and mortgages			Various	2,194	4,733
				690,407	703,437
Current maturities				(33,552)	(36,812)
Unamortized bond discount				1,124	1,154
Long-term portion				<u>\$ 657,979</u>	<u>\$ 667,779</u>

(1) Variable rates shown as of year-end for 2010, 2009, respectively.

The Series 2009, 2008, 2005 and 2000 Bonds (collectively “the Bonds”) are general obligations of the Health System and its affiliates. The Health System is required to meet certain operating and financial ratios contained in the master bond trust indenture, bond insurance agreements and bank letter of credit agreements (related to the variable rate demand bonds). The Bonds are subject to the provisions of amended and restated master trust indentures, which generally require monthly or quarterly deposits for principal and interest payments be made, and certain funds be maintained by the trustee for interest payment and bond retirement purposes.

The variable interest rates on substantially all of the bonds are adjusted daily or weekly by remarketing agents. The bonds may be tendered by the bond holders each interest rate period. The Health System maintains a combination of letters of credit and standby purchase agreements that can be drawn on should the bonds not be remarketed. Agreements totaling \$246,300 expire in 2012 and \$28,620 in 2013. The agreements are renewable, subject to trustee approval and at the option of the agreement providers, throughout the term of the bonds. Outstanding amounts under the agreements are due at the earlier of expiration of the agreements or over a period of three years commencing after an initial outstanding period generally ranging from 60 to 366 days.

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In December 2010, the Health System completed an interest rate mode conversion for the 2009C bonds converting the interest rate from a daily rate to an index rate. The interest rate modification was not considered a significant modification of terms; thus, all costs incurred from the mode conversion were expensed during the year. In 2010, a Direct Note Obligation for the 2009C bonds was issued to a financial institution, eliminating the supporting letter of credit requirement.

In March 2009, the Health System issued \$244,270 of Variable Rate Demand Health Facilities Revenue Bonds. The proceeds from the bonds were used to redeem the Series 2005B bonds and provide funding for several capital projects. The bonds are payable in varying amounts through 2039. The Health System also redeemed the Series 1998B bonds and the related line of credit of \$37,280 during March 2009 using internal funds. In March 2009, the Health System recognized a loss on revenue bond refinancing of \$3,520 for the unamortized debt issue costs of the bond issuances that were refinanced through this transaction.

In August 2009, the Health System completed an interest rate mode conversion for the 2005A and 2008A bonds converting from a variable rate to fixed. The interest rate modification was considered a significant modification of terms, thus losses on extinguishment of the original bonds of \$5,870 were incurred from recognition of their respective debt issue costs. Costs associated with the mode conversion were then capitalized to be amortized over the remainder of the life of the bonds. In addition, the 2009F bonds were issued in the amount of \$50,000. The proceeds provided the Health System with funds for several capital projects throughout the Health System.

Aggregate annual maturities of long-term debt during the years ending December 31 are as follows:

	Accelerated Maturities with Letter of Credit Expirations	Scheduled Maturities Based on Loan Agreements
2011	\$ 33,552	\$ 33,552
2012	91,848	16,077
2013	119,516	16,150
2014	71,627	16,307
2015	5,594	37,149
Thereafter	368,270	571,172
	<u>\$ 690,407</u>	<u>\$ 690,407</u>

The Health System has included \$17,097 in current maturities of long-term debt related to letters of credit and standby purchase agreements for related bonds that if not remarketed would require a payment within 2011.

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Note 7: Interest Rate Swaps

Swaps Designated as Hedging Instruments

As a risk management strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Health System entered into the following interest rate swap agreements:

Trade Date	Maturity Date	Current Notional Amount	Health System Pays	Health System Receives	Accounting Treatment	Fair Value	
						2010	2009
2005	2035	\$ 198,060	3.5%	62.4% of LIBOR + 29 bps	Cash Flow Hedge	\$ (16,684)	\$ (9,865)

In 2005, the Health System entered into interest rate swap agreements effectively converting the Series 2005B variable rate bonds into fixed rate debt at a rate of 3.5% (4.1% including transaction costs). During 2009, these swaps were redesignated to hedge the Series 2009 A-D Bonds. The swap agreements have an aggregate notional amount of \$198,060 at December 31, 2010 and mature in 2035.

Management has designated the above interest rate swap agreements as cash flow hedging instruments, and has determined that these agreements are highly effective. The aggregate fair value of the swap agreements is recorded as a long-term liability of \$(16,684) at December 31, 2010 and \$(9,865) at December 31, 2009. The change in fair value of \$(6,819) and \$94,431 as of December 31, 2010 and 2009, respectively, is reported as part of the change in unrealized gains and losses on swaps. Interest, the net of what the Health System pays and receives under the two legs of the swaps, is settled monthly on each swap agreement and is reported as interest expense.

The Health System has provisions within certain interest rate swap agreements that would require it to post collateral should the negative fair value of the agreements exceed \$25,000, the Health System's credit rating fall below Aa3 by Moody's AA- by S&P or the bond insurers rating fall below A- by S&P. As of December 31, 2010, the Health System has not been requested to post collateral under these agreements.

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The table below presents certain information regarding the Health System's interest rate swap agreement designated as a cash flow hedge. The Health System has additional derivative instruments at December 31, 2010 and 2009 that are no longer designated as hedging instruments under ASC 815 (*Derivatives and Hedging*), as shown below:

	<u>2010</u>	<u>2009</u>
Long-term Liability		
Fair value of interest rate swap agreement	\$ (16,684)	\$ (9,865)
Unrestricted Net Assets		
Gain (loss) recognized in changes in unrealized gains and losses on investments (effective portion)	(6,819)	63,052
Change in unrestricted net assets reclassified into Other, net (effective portion)	-	31,379
Other, Net		
Loss recognized in income (ineffective portion)	-	(31,379)

Other Swap Agreements

The Health System has also entered into the following interest rate swap agreements which are no longer designated as hedging instruments. The Health System has elected to carry these swaps as an investing activity, until such time that satisfactory termination value can be obtained, or their respective maturity date.

Trade Date	Call Date	Maturity Date	Notional Amount	Health System Pays	Health System Receives	Fair Value	
						2010	2009
2006		2037	\$ 144,700	3.8%	61.9% of LIBOR + 31 bps	\$ (20,531)	\$ (14,346)
2006		2023	42,700	3.5	61.9% of LIBOR + 31 bps	(4,251)	(2,725)
2006		2010	48,456	3.6	61.9% of LIBOR + 31 bps	-	(147)
2005		2035	66,020	3.3	62.4% of LIBOR + 29 bps	(4,758)	(4,964)
2004		2010	32,304	3.2	BMA	-	(95)
2000	2010	2030	80,760	BMA	5.4%	-	377
						<u>\$ (29,540)</u>	<u>\$ (21,900)</u>

The aggregate fair value of the unhedged swap agreements are recorded as long-term investments of \$0 and \$377 and long-term liability of \$(29,540) and \$(22,277), as of December 31, 2010 and 2009, respectively. The change in fair value of \$(7,640) and \$(18,057) are included as a component of other income (loss) as of December 31, 2010 and 2009, respectively. Interest, the net of what the Health System pays and receives, is settled monthly or semi-monthly on each swap agreement and is reported as other income (loss).

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In prior years, certain swap agreements previously designated as hedges by the Health System were deemed to be ineffective. The effective portion of these changes in fair value, previously deemed effective, is being amortized into other income (loss) over the remaining life of the swap. As of December 31, 2010 and 2009, \$(760) and \$(285) of net unrealized gains (losses) remain in net assets to be amortized and \$475 and \$1,224 was amortized into other income (loss), respectively.

As of August 2009, hedge accounting ceased for the swap agreements associated with the 2005A and 2008 bonds due to interest rate mode conversion to a fixed interest rate. All changes in fair value prior to that date, previously recorded as a component of the change in unrealized gains and losses on swaps and excluded from revenues over expenses in the amount of \$(31,379) were immediately recognized as a component of other income (loss). Subsequent to this date, the remaining changes in fair values are reported as a component of other income (loss).

During December 2009 and January 2010, the Health System terminated two swaps agreements, each with a notional value of \$67,090, at a cost of \$(3,199) and \$(2,795), respectively. The Health System's counterparty also called swap agreements with a notional amount of \$80,760 in accordance with the agreement in February 2010.

Other Swaps:

	2010	2009
Long-term Liability		
Fair value of interest rate swap agreement	\$ (29,540)	\$ (21,900)
Unrestricted Net Assets		
Change in unrestricted net assets amortizing into		
Other, net	(475)	(1,224)
Other, Net		
Gain (loss) recognized in income from changes in		
fair value of interest rate swap	(7,640)	15,297
Gain recognized in income from amortization of		
unrecognized gains (losses) in unrestricted net assets	475	1,224
Loss recognized in income from termination of		
interest rate swap	(2,795)	(3,199)

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Note 8: Related-Party Transactions

The Health System leases real estate from certain companies controlled by members of the Board of Directors of the Health System or its subsidiaries. Minimum payments under these operating leases are \$6,841 per year. The leases expire in various periods through 2021. Rent expense under these leases, including a pro rata portion of certain operating expenses of the facilities, was \$7,107 and \$7,598 for 2010 and 2009, respectively. At December 31, 2010 and 2009, the Health System also had outstanding debt related to real estate capital lease obligations of \$1,503 and \$1,957, respectively. The Health System also leases real estate to physicians who may serve the Health System through board of director or medical director roles.

The Health System purchases a variety of services and products from companies affiliated with members of the Boards of Directors of the Health System and/or its subsidiaries. Services and products purchased from these affiliated companies during 2010 and 2009 totaled \$13,382 and \$20,347, respectively, of which \$7,526 and \$12,095, respectively, were related to construction project costs. In addition, the Health System purchases services from several joint ventures and sells services and supplies to several joint ventures in which the Health System is also an investor. The Health System believes these transactions are consummated under commercially reasonable business arrangements.

The Health System has recorded receivables for amounts held by nonconsolidated foundations on behalf of the Health System of \$40,594 and \$36,200 as of December 31, 2010 and 2009, respectively. Contributions received from nonconsolidated foundations and other related parties were \$3,562 and \$8,740 in 2010 and 2009, respectively.

Note 9: Retirement Benefit Plans

Defined Contribution Retirement Plans

The Health System has several defined contribution benefit plans, which are available to substantially all employees meeting age and length of service requirements. Participating employers annually determine the amount, if any, of the Health System's contributions to the plan. Total benefit expenses under the defined contribution plans were approximately \$44,537 and \$41,458 for 2010 and 2009, respectively. The Health System also has deferred compensation plans for certain employees. Total expenses under the deferred compensation plans were \$2,534 and \$1,889 for 2010 and 2009, respectively.

Defined Benefit Plans

Prior to 2001, substantially all employees of four of the Health System's subsidiaries were covered by noncontributory defined benefit pension plans. The plans have been substantially frozen. The Health System's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Health System may determine to be appropriate from time to time. The Health System expects to contribute \$4,953 to the plans in 2011.

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During 2010, the Sioux City Affiliate began executing its plan for distribution of the assets in its defined benefit pension plan. The plan was terminated effective January 31, 2008. In December 2009, a determination letter was received from the IRS approving the termination. The termination and asset distribution were completed by June 30, 2010.

The following tables set forth information about each defined benefit plan:

	As of December 31, 2010			Sioux City
	Des Moines	Cedar Rapids	Waterloo	
Change in Benefit Obligation				
Benefit obligation, beginning of year	\$ 158,490	\$ 97,288	\$ 48,520	\$ 13,422
Service cost	3,530	122	489	-
Interest cost	9,966	6,203	3,104	-
Actuarial loss (gain)	10,442	6,607	2,793	-
Benefits paid	(7,034)	(3,668)	(1,680)	(13,422)
Curtailment gain from freezing benefits	-	-	49	-
Benefit obligation, end of year	<u>175,394</u>	<u>106,552</u>	<u>53,275</u>	<u>-</u>
Change in Fair Value of Plan Assets				
Fair value of plan assets, beginning of year	166,024	79,108	44,017	14,740
Actual return on plan assets	21,104	10,532	4,427	-
Employer contributions	1,000	3,633	3,300	-
Benefits paid	(7,034)	(3,668)	(1,680)	(13,473)
Settlement	-	-	-	(1,267)
Fair value of plan assets, end of year	<u>181,094</u>	<u>89,605</u>	<u>50,064</u>	<u>-</u>
Funded status, end of year	<u>\$ 5,700</u>	<u>\$ (16,947)</u>	<u>\$ (3,211)</u>	<u>\$ -</u>
Accumulated benefit obligation	<u>\$ 172,110</u>	<u>\$ 106,045</u>	<u>\$ 53,275</u>	<u>\$ -</u>

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	As of December 31, 2010			
	Des Moines	Cedar Rapids	Waterloo	Sioux City
Assets and liabilities recognized in the balance sheets				
Noncurrent assets	\$ 5,700	\$ -	\$ -	\$ -
Noncurrent liabilities	\$ -	\$ (16,947)	\$ (3,211)	\$ -
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost				
Net loss	\$ 10,875	\$ 30,584	\$ 12,977	\$ -
Net prior service cost (credit)	88	-	(5,127)	-
	<u>\$ 10,963</u>	<u>\$ 30,584</u>	<u>\$ 7,850</u>	<u>\$ -</u>
Amounts expected to be recognized within one year				
Net loss	\$ -	\$ 2,166	\$ 859	\$ -
Net prior service cost (credit)	46	-	(651)	-
	<u>\$ 46</u>	<u>\$ 2,166</u>	<u>\$ 208</u>	<u>\$ -</u>
Other changes in plan assets recognized in changes in net assets				
Net loss	\$ 2,543	\$ 2,375	\$ 1,886	\$ -
Prior service cost	-	-	49	-
Amortization of				
Net loss	-	(2,174)	(590)	(2,995)
Prior service cost	(46)	-	642	-
	<u>\$ 2,497</u>	<u>\$ 201</u>	<u>\$ 1,987</u>	<u>\$ (2,995)</u>

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	As of December 31, 2010			
	Des Moines	Cedar Rapids	Waterloo	Sioux City
Weighted-Average Assumptions Used to Determine Benefit Obligations for the Year Ended December 31, 2010				
Discount rate	6.00%	6.00%	6.00%	N/A
Rate of compensation increase	4.00%	5.00%	N/A	N/A
Weighted-Average Assumptions Used to Determine Benefit Costs for the Year Ended December 31, 2010				
Discount rate	6.50%	6.50%	6.50%	N/A
Expected return on plan assets	8.00%	8.00%	8.00%	N/A
Rate of compensation increase	4.00%	5.00%	N/A	N/A
Components of Net Periodic Benefit Cost				
Service cost	\$ 3,530	\$ 122	\$ 489	\$ -
Interest cost	9,966	6,203	3,104	-
Expected return on plan assets	(13,204)	(6,300)	(3,519)	-
Amortization of prior service cost	46	-	(642)	-
Recognized net actuarial loss	-	2,174	590	2,995
Net periodic benefit cost (benefit)	<u>\$ 338</u>	<u>\$ 2,199</u>	<u>\$ 22</u>	<u>\$ 2,995</u>

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	As of December 31, 2009			
	Des Moines	Cedar Rapids	Waterloo	Sioux City
Change in Benefit Obligation				
Benefit obligation, beginning of year	\$ 153,829	\$ 93,235	\$ 51,881	\$ 13,347
Service cost	3,527	149	358	-
Interest cost	9,799	5,946	3,325	850
Actuarial loss (gain)	1,662	1,400	648	(260)
Benefits paid	(10,327)	(3,442)	(1,625)	(515)
Curtailment gain from freezing benefits	-	-	(6,067)	-
Benefit obligation, end of year	<u>158,490</u>	<u>97,288</u>	<u>48,520</u>	<u>13,422</u>
Change in Fair Value of Plan Assets				
Fair value of plan assets, beginning of year	148,241	63,721	35,681	15,665
Actual return on plan assets	17,660	15,663	7,636	(410)
Employer contributions	10,450	3,166	2,325	-
Benefits paid	(10,327)	(3,442)	(1,625)	(515)
Fair value of plan assets, end of year	<u>166,024</u>	<u>79,108</u>	<u>44,017</u>	<u>14,740</u>
Funded status, end of year	<u>\$ 7,534</u>	<u>\$ (18,180)</u>	<u>\$ (4,503)</u>	<u>\$ 1,318</u>
Accumulated benefit obligation	<u>\$ 154,239</u>	<u>\$ 96,771</u>	<u>\$ 48,520</u>	<u>\$ 13,422</u>
Assets and liabilities recognized in the balance sheets				
Noncurrent assets	<u>\$ 7,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,318</u>
Noncurrent liabilities	<u>\$ -</u>	<u>\$ (18,180)</u>	<u>\$ (4,503)</u>	<u>\$ -</u>
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost				
Net loss	\$ 8,332	\$ 30,383	\$ 11,681	\$ 2,995
Net prior service cost	134	-	(5,818)	-
	<u>\$ 8,466</u>	<u>\$ 30,383</u>	<u>\$ 5,863</u>	<u>\$ 2,995</u>
Amounts expected to be recognized within one year				
Net loss	\$ -	\$ 2,174	\$ 782	\$ 148
Net prior service cost	46	-	(642)	-
	<u>\$ 46</u>	<u>\$ 2,174</u>	<u>\$ 140</u>	<u>\$ 148</u>

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

	As of December 31, 2009			
	Des Moines	Cedar Rapids	Waterloo	Sioux City
Other changes in plan assets recognized in changes in net assets				
Net loss (gain)	\$ (4,684)	\$ (9,450)	\$ (4,220)	\$ 1,001
Prior service cost	-	-	(6,068)	-
Amortization of				
Net loss	-	(3,548)	(1,539)	(168)
Prior service cost	(46)	-	(58)	-
	<u>(46)</u>	<u>-</u>	<u>(58)</u>	<u>-</u>
 Total recognized in changes in net assets	 <u>\$ (4,730)</u>	 <u>\$ (12,998)</u>	 <u>\$ (11,885)</u>	 <u>\$ 833</u>

	As of December 31, 2009			
	Des Moines	Cedar Rapids	Waterloo	Sioux City
Weighted-Average Assumptions Used to Determine Benefit Obligations for the Year Ended December 31, 2009				
Discount rate	6.50%	6.50%	6.50%	6.50%
Rate of compensation increase	4.00%	5.00%	4.66%	N/A

	As of December 31, 2009			
	Des Moines	Cedar Rapids	Waterloo	Sioux City
Weighted-Average Assumptions Used to Determine Benefit Costs for the Year Ended December 31, 2009				
Discount rate	6.50%	6.50%	6.50%	6.50%
Expected return on plan assets	8.00%	8.00%	8.00%	5.50%
Rate of compensation increase	4.00%	5.00%	4.66%	N/A

	As of December 31, 2009			
	Des Moines	Cedar Rapids	Waterloo	Sioux City
Components of Net Periodic Benefit Cost				
Service cost	\$ 3,527	\$ 149	\$ 358	\$ -
Interest cost	9,799	5,946	3,325	850
Expected return on plan assets	(11,316)	(4,812)	(2,768)	(850)
Amortization of prior service cost	46	-	58	-
Recognized net actuarial loss	-	3,548	1,539	168
	<u>-</u>	<u>3,548</u>	<u>1,539</u>	<u>168</u>
 Net periodic benefit cost (benefit)	 <u>\$ 2,056</u>	 <u>\$ 4,831</u>	 <u>\$ 2,512</u>	 <u>\$ 168</u>

Iowa Health System and Subsidiaries

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The Health System has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreements permit investment in common stocks, corporate bonds and debentures, U.S. Government securities and other specified investments, based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2010 and 2009 are as follows:

		2010			
		Des Moines	Cedar Rapids	Waterloo	Sioux City
Equity securities	Not to exceed	20%	35%	35%	—
Fixed income	Not to exceed	50%	35%	35%	—
Private investment funds	Not to exceed	30%	30%	30%	—
		2009			
		Des Moines	Cedar Rapids	Waterloo	Sioux City
Equity securities	Not to exceed	35%	35%	30%	—
Fixed income	Not to exceed	35%	35%	40%	100%
Private investment funds	Not to exceed	30%	30%	30%	—

Iowa Health System and Subsidiaries
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Plan assets are re-balanced quarterly. At December 31, 2010 and 2009, plan assets by category are as follows:

	2010			2009			
	Des Moines	Cedar Rapids	Waterloo	Des Moines	Cedar Rapids	Waterloo	Sioux City
Cash and short term investments	4%	4%	6%	2%	3%	3%	84%
U.S. Treasury obligations	13	12	12	7	2	2	-
U.S. Government agency obligations	2	2	2	2	-	-	12
Asset-backed securities							
Home equity	1	1	1	1	1	1	-
Mortgage-backed securities							
Government	1	1	3	1	4	4	-
Non-government	4	3	3	7	4	4	-
Corporate bonds	25	12	15	37	4	5	4
Corporate bonds - PIF	-	1	5	-	19	18	-
Equity securities							
Domestic	2	3	3	2	5	4	-
Equity securities - PIF							
Domestic	8	17	16	8	20	18	-
International	3	6	7	2	5	5	-
Mutual funds							
Domestic	1	2	3	1	3	3	-
International	4	6	7	1	3	3	-
Emerging markets	3	5	6	-	1	1	-
Hedge fund of funds	29	25	11	29	26	29	-
	100%	100%	100%	100%	100%	100%	100%

Defined Benefit Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Iowa Health System and Subsidiaries
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Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include highly liquid U.S. Treasuries and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include U.S. Government agency obligations, collateralized mortgage obligations, corporate bonds and private investment funds. For these investments, the inputs used by the pricing service to determine the fair value include one or a combination of observable inputs, such as broker/dealer quotes, issuer spreads, benchmark securities, bid offers and reference data market research publications. In certain cases where Level 1 and Level 2 inputs are not available, plan assets are classified within Level 3 hierarchy. The plans have no Level 3 investments.

Private investment funds include interest in fixed income and equity security investment portfolios as well as alternative asset partnerships. Private investment funds are valued based on the Health System's proportionate interest in the fair value of the underlying investment assets held by the fund, adjusted to reflect risk associated with liquidity of their investment in the partnership, restrictions on transfer and other matters, if any. Interest in funds that consist of underlying securities with observable inputs, such as quoted market prices or quoted prices of securities with similar characteristics, are categorized as Level 2 of the fair value hierarchy.

The Health System changed third party administrators (TPA) for their investment portfolio on January 1, 2010. As a result of the change in TPA and management's evaluation of fair value inputs, certain securities are now classified in Level 2 of the valuation hierarchy in 2010 from Level 1 in 2009. These securities consisted primarily of U.S. Treasury Obligations.

Iowa Health System and Subsidiaries
Notes to Consolidated Financial Statements
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December 31, 2010 and 2009

The fair values of the Health System's pension plans' assets at December 31, 2010 and 2009, by asset category are as follows:

	2010			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices		
		in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 11,706	\$ -	\$ 11,706	\$ -
U.S. Treasury obligations	39,674	-	39,674	-
U.S. Government agency obligator	7,841	-	7,841	-
Asset-backed securities				
Home equity	2,953	-	2,953	-
Other	1,276	-	1,276	-
Mortgage-backed securities				
Government	3,388	-	3,388	-
Non-government	11,643	-	11,643	-
Corporate bonds	62,775	235	62,540	-
Corporate bonds - PIF	2,866	-	2,866	-
Equity securities				
Domestic	7,940	7,940	-	-
Equity securities - PIF				
Domestic	35,714	-	35,714	-
International	14,978	-	14,978	-
Mutual funds				
Domestic	5,940	5,940	-	-
International	15,509	15,509	-	-
Emerging markets	13,354	13,354	-	-
Hedge fund of funds	81,586	-	81,586	-
	<u>\$ 319,143</u>	<u>\$ 42,978</u>	<u>\$ 276,165</u>	<u>\$ -</u>

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

	2009			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices		
		in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 19,513	\$ 16,676	\$ 2,837	\$ -
U.S. Treasury obligations	13,494	13,494	-	-
U.S. Government agency obligations	5,743	-	5,743	-
Asset-backed securities				
Home equity	3,062	-	3,062	-
Other	585	-	585	-
Mortgage-backed securities				
Government	5,489	-	5,489	-
Non-government	16,188	-	16,188	-
Corporate bonds	65,089	457	64,632	-
Corporate bonds - PIF	22,066	-	22,066	-
Equity securities				
Domestic	9,057	9,057	-	-
Equity securities - PIF				
Domestic	37,260	-	37,260	-
International	10,326	-	10,326	-
Mutual funds				
Domestic	6,293	6,293	-	-
International	6,237	6,237	-	-
Emerging markets	1,376	1,376	-	-
Hedge fund of funds	81,164	-	81,164	-
	<u>\$ 302,942</u>	<u>\$ 53,590</u>	<u>\$ 249,352</u>	<u>\$ -</u>

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2010:

2011	\$ 13,511
2012	14,960
2013	16,036
2014	17,572
2015	18,652
2016 - 2020	113,061

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Other Retirement Plan

One subsidiary of the Health System sponsors an unfunded defined benefit plan that provides postretirement medical and dental benefits to certain retirees and their dependent spouses of a predecessor hospital. The plan is not available to current employees. The total accrued postretirement benefit obligation is \$312 and \$345 as of December 31, 2010 and 2009, respectively. Benefit cost was \$(258) and \$(304) for 2010 and 2009, respectively. Benefits paid were \$39 and \$44 for 2010 and 2009, respectively. The assumed discount rate used in determining the accumulated postretirement benefit obligation was 6.0% and 6.5% at December 31, 2010 and 2009, respectively.

Note 10: Risk Management

The Health System's hospitals are primarily self-insured for professional and general liability for amounts of \$3,000 per claim and \$25,000 in the aggregate annually, with a \$6,000 inter-aggregate for maternity claims and general liability claims and \$4,000 inter-aggregate for non-maternity claims. Thereafter, professional and general liability insurance coverage is maintained on a claims-made basis, with a liability limit of \$25,000. Other entities of the Health System maintain their professional and general liability coverage on a claims-made basis with no significant deductibles.

The Health System is primarily self-insured for workers' compensation and employee health care claims. Workers' compensation claims individually and in the aggregate that exceed certain amounts are covered by insurance.

Property insurance is maintained with at least 90% replacement value coverage and minimal deductibles. Business interruption insurance coverage is also maintained by the Health System.

The Health System has accrued as other liabilities \$50,241 and \$61,009 for self-insured losses at December 31, 2010 and 2009, respectively. The accrued liabilities are based on management's evaluation of the merits of various claims, historical experience and consultation with external insurance consultants and actuaries, and include estimates for incurred but not reported claims. There can be no assurance that the accrued liabilities will be sufficient for the ultimate amounts that will be paid for claims and settlements. Also, in the ordinary course of business, the Health System is involved in other litigation and claims, none of which management believes will ultimately result in losses that will adversely affect the Health System's consolidated net assets or results of operations to a material degree.

Cash and investments have been internally designated to be held for payments of claims, if any, which may result from the self-insured or uninsured portion of liability insurance and workers' compensation claims. At December 31, 2010 and 2009, the cash and investments amounted to \$32,803 and \$37,878, respectively.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Note 11: Lease Commitments

Certain property and equipment is being leased under long-term noncancelable operating leases. In most cases, management expects that, in the normal course of operations, the leases will be renewed or replaced by other leases. The total rent expense under operating leases for 2010 and 2009 was \$41,629 and \$36,446, respectively.

The following is a schedule by year of future minimum rental payments required under noncancelable operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2010.

2011	\$	31,872
2012		24,880
2013		16,430
2014		11,485
2015		9,182
Thereafter		39,435
Total minimum payments required	\$	<u>133,284</u>

Note 12: Disclosures About Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy 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 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active 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 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

Financial Instruments Measured at Fair Value on a Recurring Basis

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Iowa Health System and Subsidiaries
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(Dollars in Thousands)
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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid U.S. Treasuries, exchange traded equities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. government agency obligations, collateralized mortgage obligations, corporate debt obligations and private investment funds. For these investments, the inputs used by the pricing service to determine the fair value include one or a combination of observable inputs, such as broker/dealer quotes, issuer spreads, benchmark securities, bid offers and reference data market research publications. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain less liquid securities. The Health System has no Level 3 investments.

Private investment funds include interests in fixed income and equity security investment portfolios as well as alternative asset partnerships. Private investment funds are valued based on the net asset values reported by investment managers.

Quoted market prices were used to determine the fair value of Level 1 items. For Level 2 investments, inputs include: maturity and coupon rates and/or closing prices of similar securities from comparable industry financial data, as well as private investment fund's net asset values.

The Health System changed third party administrators (TPA) for their investment portfolio on January 1, 2010. As a result of the change in TPA and management's evaluation of fair value inputs, certain securities are now classified in Level 2 of the valuation hierarchy in 2010 from Level 1 in 2009. These securities consisted primarily of U.S. Treasury Obligations.

Interest Rate Swap Agreements

The fair value of interest rate swap agreements are estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Beneficial Interests in Trusts

The fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Fair Value Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2010 and 2009:

	Fair Value	2010 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash and short-term investments	\$ 247,437	\$ 6,987	\$ 240,450	\$ -
U.S. Treasury obligations	38,742	-	38,742	-
U.S. Government agency obligations	18,587	-	18,587	-
Asset-backed securities				
Home equity	11,728	-	11,728	-
Other	2,626	-	2,626	-
Mortgage-backed securities				
Government	32,509	-	32,509	-
Non-government	39,140	-	39,140	-
Certificates of deposit	474	474	-	-
Corporate bonds	46,631	-	46,631	-
Corporate bonds - PIF	171,449	-	171,449	-
Equity securities				
Domestic	124,520	124,520	-	-
Equity securities - PIF				
Domestic	147,252	-	147,252	-
International	84,292	-	84,292	-
Mutual funds				
Domestic	15,419	15,419	-	-
International	75,241	75,241	-	-
Emerging markets	82,498	82,498	-	-
Hedge fund of funds	78,627	-	78,627	-
Insurance policies	4,026	-	4,026	-
Beneficial interest in trust	5,487	-	5,487	-
Beneficial interest in Foundations	40,594	-	40,594	-
Financial Liabilities				
Interest rate swap agreements (net)	(46,225)	-	(46,225)	-
	<u>\$ 1,221,054</u>	<u>\$ 305,139</u>	<u>\$ 915,915</u>	<u>\$ -</u>

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

	Fair Value	2009 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash and short-term investments	\$ 207,271	\$ 22,342	\$ 184,929	\$ -
U.S. Treasury obligations	35,141	35,141	-	-
U.S. Government agency obligations	2,277	51	2,226	-
Asset-backed securities				
Home equity	10,631	-	10,631	-
Other	1,585	-	1,585	-
Mortgage-backed securities				
Government	33,806	-	33,806	-
Non-government	28,555	-	28,555	-
Certificates of deposit	474	474	-	-
Corporate bonds	48,388	7,848	40,540	-
Corporate bonds - PIF	161,059	-	161,059	-
Equity securities				
Domestic	126,183	126,183	-	-
Equity securities - PIF				
Domestic	147,430	-	147,430	-
International	76,368	-	76,368	-
Mutual funds				
Domestic	18,237	18,237	-	-
International	47,285	47,285	-	-
Emerging markets	13,169	13,169	-	-
Hedge fund of funds	70,262	-	70,262	-
Insurance policies	4,363	-	4,363	-
Beneficial interest in trust	5,284	-	5,284	-
Beneficial interest in Foundations	36,200	-	36,200	-
Financial Liabilities				
Interest rate swap agreements (net)	(31,765)	-	(31,765)	-
	<u>\$ 1,042,203</u>	<u>\$ 270,730</u>	<u>\$ 771,473</u>	<u>\$ -</u>

Financial Instruments Not Measured at Fair Value

The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments, which include cash and cash equivalents, short-term investments, receivables, accounts payable, accrued liabilities, estimated settlements due to third-party payers and other current liabilities.

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

The carrying amount of the variable rate bonds and notes is assumed to approximate fair value. For the fixed-rate bonds, the estimated fair value is based on quoted prices for similar liabilities and is obtained from a financial institution that deals in these types of instruments. Other debt obligations are insignificant, and the carrying amounts are assumed to approximate fair value.

Estimates of fair values are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates. The fair market value of the Health System's financial instruments at December 31 approximates the carrying value except as follows:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, excluding capital leases and interest rate swaps	\$ 687,203	\$ 674,486	\$ 701,040	\$ 714,103

Note 13: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of December 31:

	2010	2009
Purchase of equipment	\$ 6,257	\$ 8,047
Indigent care/operations	6,308	7,887
Health education	5,791	5,529
For use in future periods	6,629	6,612
Other	20,509	16,934
Total temporarily restricted net assets	\$ 45,494	\$ 45,009

Permanently restricted net assets are restricted to:

	2010	2009
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is restricted)	\$ 24,904	\$ 24,540
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is restricted for various purposes as directed by the donors)	13,001	11,720
Other	5,263	5,111
Total permanently restricted net assets	\$ 43,168	\$ 41,371

Iowa Health System and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2010 and 2009

Note 14: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Health System's conditional asset retirement obligations primarily relate to asbestos contained in various buildings. Environmental regulations in many of the states where the Health System operates require the Health System to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

A summary of changes in asset retirement obligations during 2010 and 2009 is included in the table below.

	<u>2010</u>	<u>2009</u>
Liability, beginning of year	\$ 11,910	\$ 11,847
Liabilities settled	(501)	(535)
Accretion expense	700	589
Changes in estimates, including timing	<u>(1)</u>	<u>9</u>
Liability, end of year	<u>\$ 12,108</u>	<u>\$ 11,910</u>

Note 15: Commitments and Contingencies

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenues for patient services. The Health System has a corporate compliance plan intended to meet federal guidelines. As a part of this plan, the Health System performs periodic internal reviews of its compliance with laws and regulations. As part of the Health System's compliance efforts, the Health System investigates and attempts to resolve and remedy all reported or suspected incidents of material noncompliance with applicable laws, regulations or policies on a timely basis. The Health System believes that these compliance programs and procedures lead to substantial compliance with current laws and regulations.

The Health System is in various stages of responding to inquiries and investigations. These various inquiries and investigations could result in fines and/or financial penalties, which could be material. At this time, the Health System is unable to estimate the possible liability, if any, that may be incurred as a result of these inquiries and investigations, but the Health System does not believe it would materially affect the financial position of the Health System.

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(Dollars in Thousands)

December 31, 2010 and 2009

Guarantees

The Health System has guaranteed approximately \$7,302 and \$13,140 at December 31, 2010 and 2009, respectively, relating to long-term debt for the construction of a cancer center, a data center, a medical office building that includes clinic and office space, purchase of equipment and a line of credit for a joint venture.

Employment Contracts

The Health System is committed for noncancelable physician employment contracts in the following amounts, prior to inflationary adjustments and bonuses based on future events:

2011	\$	14,062
2012		12,407
2013		441
2014		65
2015		47
Thereafter		47

Current Economic Conditions

The current protracted economic decline continues to present healthcare organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, large declines in contributions and constraints on liquidity. The financial statements have been prepared using values and information currently available to the Health System.

Some of the Health System's patients are covered by government sponsored Medicare or Medicaid programs. The effect of the current economic conditions on government budgets may have an adverse effect on the cash flow from these programs.

Further, current economic conditions, have made it difficult for certain of the Health System's other patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Health System's future operating results.

Note 16: Subsequent Events

In January 2011, St. Luke's Health System, Inc. (Sioux City) purchased for approximately \$13 million a building that had previously been leased from a related party. Health System internal funds were used for the purchase.

Iowa Health System and Subsidiaries
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2010

Schedule 1

Assets

	IHDM	TRHS	SLHC	AHS	THS	SLHS	TRI-ST	IHP	IHHC	IHS & Other	Eliminations	Consolidated
Current Assets												
Cash and cash equivalents	\$ 4,541	\$ 14,544	\$ 10,284	\$ 4,908	\$ 8,255	\$ 5,487	\$ 4,383	\$ 1,569	\$ 692	\$ 25,458		\$ 80,121
Short-term investments	16,560	29,673	45,216	15,411	10,629	8,806	8,261	8,189	3,766	83,550		230,061
Assets limited as to use - required for current liabilities	2,407	4,029	1,799	1,309	410	1,489						11,443
Patient accounts receivable, less estimated uncollectibles	79,850	47,914	42,223	22,046	16,858	18,874	11,877	9,305	6,755			255,702
Other receivables	6,501	972	3,074	2,156	345	2,913	1,179	629	33	2,469		20,271
Inventories	10,473	9,762	7,541	6,072	3,370	3,293		1,888	936	67		45,460
Prepaid expenses	2,994	1,648	1,357	777	331	1,665	792	454	15	10,972		21,005
Due from affiliates	312	305	325	408	(150)	157	170	12,479	188	29,510	\$ 43,704	-
Total current assets	<u>123,638</u>	<u>108,847</u>	<u>111,819</u>	<u>53,087</u>	<u>40,048</u>	<u>42,684</u>	<u>28,720</u>	<u>34,513</u>	<u>12,385</u>	<u>152,026</u>	<u>43,704</u>	<u>664,063</u>
Assets Limited As to Use, noncurrent												
Held by trustee under bond indenture agreements	2,924											2,924
Internally designated	441,452	114,528	82,420	1,588	40,988	42,346	47,436			474		771,232
Total assets limited as to use, noncurrent	444,376	114,528	82,420	1,588	40,988	42,346	47,436	-	-	474		774,156
Property, Plant and Equipment, net	275,215	145,293	160,233	102,334	75,265	56,417	49,836	5,779	6,277	66,700		943,349
Other Long-term Investments	40,934	7,801	19,300	75,957	12,586	1,009	410	23,606	19,201	4,630		205,434
Investments in Joint Ventures and Other Investments	24,673	6,389	13,021	6,709	3,439	10,008	4,282		360	27,824	60,441	36,264
Contributions Receivable, net	9,747	35	30,374	2,762	866	3,469	6,888					54,141
Other	8,481	1,834	1,345	3,799	713	475	51	34		8,688		25,420
Due From Affiliates				150			90			476,473	476,713	-
Total assets	<u>\$ 927,064</u>	<u>\$ 384,727</u>	<u>\$ 418,512</u>	<u>\$ 246,386</u>	<u>\$ 173,905</u>	<u>\$ 156,408</u>	<u>\$ 137,713</u>	<u>\$ 63,932</u>	<u>\$ 38,223</u>	<u>\$ 736,815</u>	<u>\$ 580,858</u>	<u>\$ 2,702,827</u>

Liabilities and Net Assets

Current Liabilities												
Current maturities of long-term debt	\$ 901	\$ 2,388	\$ 163	\$ 44	\$ 473	\$ 72	\$ 888			\$ 28,623		\$ 33,552
Accounts payable	20,710	15,609	10,526	5,916	3,147	4,229	3,379	\$ 3,105	\$ 1,907	3,738		72,266
Accrued payroll	27,948	14,848	21,829	10,118	8,083	5,240	4,948	7,254	3,416	7,924		111,608
Accrued interest	27				264					9,338		9,629
Estimated settlements due to third-party payers	13,630	7,255	6,826	5,417	602	2,402	2,849		43			39,024
Due to affiliates	14,837	5,036	8,090	6,357	1,023	3,816	2,349	57	861	1,278	\$ 43,704	-
Other current liabilities	7,649	6,974	4,967	2,506	1,931	3,235	1,894	7,762	518	1,245		38,681
Total current liabilities	<u>85,702</u>	<u>52,110</u>	<u>52,401</u>	<u>30,358</u>	<u>15,523</u>	<u>18,994</u>	<u>16,307</u>	<u>18,178</u>	<u>6,745</u>	<u>52,146</u>	<u>43,704</u>	<u>304,760</u>
Long-term Debt, net	26,258	14,859	293		5,386	199				610,984		657,979
Other Long-term Liabilities	25,415	12,497	28,847	11,722	10,580	6,675	907	17,332	179	53,030		167,184
Due to Affiliates	143,824	121,100	77,800	63,040	17,540	44,305	8,479		625		476,713	-
Total liabilities	<u>281,199</u>	<u>200,566</u>	<u>159,341</u>	<u>105,120</u>	<u>49,029</u>	<u>70,173</u>	<u>25,693</u>	<u>35,510</u>	<u>7,549</u>	<u>716,160</u>	<u>520,417</u>	<u>1,129,923</u>
Net Assets												
Unrestricted	617,184	178,762	228,734	131,461	121,281	82,484	105,133	28,422	30,614	20,608	60,441	1,484,242
Temporarily restricted	13,846	3,882	12,367	6,222	1,730	2,255	5,085		60	47		45,494
Permanently restricted	14,835	1,517	18,070	3,583	1,865	1,496	1,802					43,168
Total net assets	<u>645,865</u>	<u>184,161</u>	<u>259,171</u>	<u>141,266</u>	<u>124,876</u>	<u>86,235</u>	<u>112,020</u>	<u>28,422</u>	<u>30,674</u>	<u>20,655</u>	<u>60,441</u>	<u>1,572,904</u>
Total liabilities and net assets	<u>\$ 927,064</u>	<u>\$ 384,727</u>	<u>\$ 418,512</u>	<u>\$ 246,386</u>	<u>\$ 173,905</u>	<u>\$ 156,408</u>	<u>\$ 137,713</u>	<u>\$ 63,932</u>	<u>\$ 38,223</u>	<u>\$ 736,815</u>	<u>\$ 580,858</u>	<u>\$ 2,702,827</u>

Definitions

IHDM - Iowa Health - Des Moines and Subsidiaries (Des Moines)	SLHS - St. Luke's Health System, Inc. (Sioux City)
TRHS - Trinity Regional Health System and Subsidiaries (Rock Island)	TRI-ST - Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
SLHC - St. Luke's Healthcare and Subsidiaries (Cedar Rapids)	IHP - Iowa Health Physicians
AHS - Allen Health Systems, Inc. and Subsidiaries (Waterloo)	IHHC - Iowa Health Home Care
THS - Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)	IHS & Other - Iowa Health System and other Subsidiaries

Iowa Health System and Subsidiaries
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2010

Schedule 2

	<u>IHDM</u>	<u>TRHS</u>	<u>SLHC</u>	<u>AHS</u>	<u>THS</u>	<u>SLHS</u>	<u>TRI-ST</u>	<u>IHP</u>	<u>IHHC</u>	<u>IHS & Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue												
Net patient service revenue	\$ 612,019	\$ 407,412	\$ 343,628	\$ 208,146	\$ 140,846	\$ 136,858	\$ 91,984	\$ 131,802	\$ 54,913		\$ 630	\$ 2,126,978
Other operating revenue	35,648	15,232	16,057	9,921	7,110	7,668	3,558	13,080	2,085	\$ 152,160	156,954	105,565
Net assets released from restrictions used for operations	3,294	2,055	1,704	700	341	-			244	38		8,376
Total revenue	<u>650,961</u>	<u>424,699</u>	<u>361,389</u>	<u>218,767</u>	<u>148,297</u>	<u>144,526</u>	<u>95,542</u>	<u>144,882</u>	<u>57,242</u>	<u>152,198</u>	<u>157,584</u>	<u>2,240,919</u>
Expenses												
Salaries and wages	231,249	129,485	123,377	72,241	48,548	45,871	33,503	39,337	26,287	40,658	(17)	790,573
Physician compensation and services	65,169	27,740	23,972	16,054	20,535	11,529	3,611	56,866			2,536	222,940
Employee benefits	59,797	36,984	37,409	18,143	11,044	15,192	8,772	10,735	7,349	10,713	(7)	216,145
Supplies	117,156	79,128	51,902	46,603	20,511	21,522	14,572	13,316	10,432	472		375,614
Other expenses	100,711	86,842	64,102	33,179	29,573	27,208	21,304	29,014	8,758	55,270	131,275	324,686
Depreciation and amortization	35,220	15,969	17,743	12,554	6,517	6,598	5,713	1,849	1,508	20,456		124,127
Interest	8,344	6,909	4,167	3,446	1,541	2,173	681		61	30,581	25,664	32,239
Provision for uncollectible accounts	20,911	28,300	18,876	6,351	4,950	11,327	2,640	3,170	440			96,965
Total expenses	<u>638,557</u>	<u>411,357</u>	<u>341,548</u>	<u>208,571</u>	<u>143,219</u>	<u>141,420</u>	<u>90,796</u>	<u>154,287</u>	<u>54,835</u>	<u>158,150</u>	<u>159,451</u>	<u>2,183,289</u>
Operating Income (Loss)	<u>12,404</u>	<u>13,342</u>	<u>19,841</u>	<u>10,196</u>	<u>5,078</u>	<u>3,106</u>	<u>4,746</u>	<u>(9,405)</u>	<u>2,407</u>	<u>(5,952)</u>	<u>(1,867)</u>	<u>57,630</u>
Nonoperating Gains (Losses)												
Investment income	56,225	14,485	13,239	8,655	5,330	5,192	5,791	2,791	2,287	3,432		117,427
Other, net	7,456	257		323	(683)	(32)	314	53		(17,275)		(9,587)
Total nonoperating gains (losses), net	<u>63,681</u>	<u>14,742</u>	<u>13,239</u>	<u>8,978</u>	<u>4,647</u>	<u>5,160</u>	<u>6,105</u>	<u>2,844</u>	<u>2,287</u>	<u>(13,843)</u>		<u>107,840</u>
Revenue Over (Under) Expenses	<u>\$ 76,085</u>	<u>\$ 28,084</u>	<u>\$ 33,080</u>	<u>\$ 19,174</u>	<u>\$ 9,725</u>	<u>\$ 8,266</u>	<u>\$ 10,851</u>	<u>\$ (6,561)</u>	<u>\$ 4,694</u>	<u>\$ (19,795)</u>	<u>\$ (1,867)</u>	<u>\$ 165,470</u>

Definitions

IHDM – Iowa Health - Des Moines and Subsidiaries (Des Moines)
TRHS - Trinity Regional Health System and Subsidiaries (Rock Island)
SLHC - St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
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SLHS - St. Luke's Health System, Inc. (Sioux City)
TRI-ST - Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
IHP - Iowa Health Physicians
IHHC - Iowa Health Home Care
IHS & Other - Iowa Health System and other Subsidiaries

Iowa Health System and Subsidiaries
Iowa Health - Des Moines and Subsidiaries (Des Moines)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2010

Assets

	IHDM	CIHC	IHF	CIHP	IHP	Eliminations	Consolidated
Current Assets							
Cash and cash equivalents		\$ 3,334	\$ 629	\$ 578			\$ 4,541
Short-term investments		16,560					16,560
Assets limited as to use - required for current liabilities		2,407					2,407
Patient accounts receivable, less estimated uncollectibles		79,850					79,850
Other receivables		6,456	9	36			6,501
Inventories		10,473					10,473
Prepaid expenses		2,873	33	88			2,994
Due from affiliates		1,069		3,856		\$ 4,613	312
Total current assets		<u>123,022</u>	<u>671</u>	<u>4,558</u>		<u>4,613</u>	<u>123,638</u>
Assets Limited As to Use, noncurrent							
Held by trustee under bond indenture agreements		2,924					2,924
Internally designated		377,328	64,124				441,452
Total assets limited as to use, noncurrent		<u>380,252</u>	<u>64,124</u>				<u>444,376</u>
Property, Plant and Equipment, net		247,732	211	27,272			275,215
Other Long-term Investments		8,495	32,439				40,934
Investments in Joint Ventures and Other Investments		30,440	63	4,950	\$ 13,898	24,678	24,673
Contributions Receivable, net			9,747				9,747
Other		8,246		235			8,481
Due From Affiliates		2,902				2,902	-
Total assets	\$ -	<u>\$ 801,089</u>	<u>\$ 107,255</u>	<u>\$ 37,015</u>	<u>\$ 13,898</u>	<u>\$ 32,193</u>	<u>\$ 927,064</u>

Liabilities and Net Assets

Current Liabilities							
Current maturities of long-term debt		\$ 468		\$ 433			\$ 901
Accounts payable		19,849		861			20,710
Accrued payroll		27,713	\$ 235				27,948
Accrued interest		19		8			27
Estimated settlements due to third-party payers		13,630					13,630
Due to affiliates		18,466	121	863		\$ 4,613	14,837
Other current liabilities		7,449	29	171			7,649
Total current liabilities		<u>87,594</u>	<u>385</u>	<u>2,336</u>		<u>4,613</u>	<u>85,702</u>
Long-term Debt, net		24,598		1,660			26,258
Other Long-term Liabilities		24,394	1,021				25,415
Due to Affiliates		142,564		4,162		2,902	143,824
Total liabilities		<u>279,150</u>	<u>1,406</u>	<u>8,158</u>		<u>7,515</u>	<u>281,199</u>
Net Assets							
Unrestricted		495,594	78,835	28,857	\$ 13,898		617,184
Temporarily restricted		11,884	12,179			10,217	13,846
Permanently restricted		14,461	14,835			14,461	14,835
Total net assets		<u>521,939</u>	<u>105,849</u>	<u>28,857</u>	<u>13,898</u>	<u>24,678</u>	<u>645,865</u>
Total liabilities and net assets	\$ -	<u>\$ 801,089</u>	<u>\$ 107,255</u>	<u>\$ 37,015</u>	<u>\$ 13,898</u>	<u>\$ 32,193</u>	<u>\$ 927,064</u>

Definitions

IHDM – Iowa Health - Des Moines and Subsidiaries (Des Moines)
CIHC – Central Iowa Hospital Corporation
IHF – Iowa Health Foundation

CIHP – Central Iowa Health Properties Corporation
IHP – Iowa Health Physicians, IHDM portion

Iowa Health System and Subsidiaries
Iowa Health - Des Moines and Subsidiaries (Des Moines)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2010

Schedule 4

	IHDM	CIHC	IHF	CIHP	IHP	Eliminations	Consolidated
Revenue							
Net patient service revenue		\$ 612,413				\$ 394	\$ 612,019
Other operating revenue		34,833		\$ 5,272	\$ 641	5,098	35,648
Net assets released from restrictions used for operations		3,262	\$ 32				3,294
Total revenue		<u>650,508</u>	<u>32</u>	<u>5,272</u>	<u>641</u>	<u>5,492</u>	<u>650,961</u>
Expenses							
Salaries and wages		230,091	1,096	62			231,249
Physician compensation and services		66,849				1,680	65,169
Employee benefits		59,524	250	23			59,797
Supplies		117,147	6	3			117,156
Other expenses	\$ 124	101,198	458	2,743		3,812	100,711
Depreciation and amortization		33,980	28	1,212			35,220
Interest		8,176		168			8,344
Provision for uncollectible accounts		20,911					20,911
Total expenses	<u>124</u>	<u>637,876</u>	<u>1,838</u>	<u>4,211</u>	<u>-</u>	<u>5,492</u>	<u>638,557</u>
Operating Income (Loss)	<u>(124)</u>	<u>12,632</u>	<u>(1,806)</u>	<u>1,061</u>	<u>641</u>	<u>-</u>	<u>12,404</u>
Nonoperating Gains							
Investment income		46,183	10,042				56,225
Other, net			6,990	466			7,456
Total nonoperating gains, net		<u>46,183</u>	<u>17,032</u>	<u>466</u>			<u>63,681</u>
Revenue Over (Under) Expenses	<u>\$ (124)</u>	<u>\$ 58,815</u>	<u>\$ 15,226</u>	<u>\$ 1,527</u>	<u>\$ 641</u>	<u>\$ -</u>	<u>\$ 76,085</u>

Definitions

IHDM – Iowa Health - Des Moines and Subsidiaries (Des Moines)

CIHC – Central Iowa Hospital Corporation

IHF – Iowa Health Foundation

CIHP – Central Iowa Health Properties Corporation

IHP – Iowa Health Physicians, IHDM portion

Iowa Health System and Subsidiaries
Trinity Regional Health System and Subsidiaries (Rock Island)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2010

Schedule 5

Assets

	TRHS	TMC	VNHA	THF	THE	TM	IHP	Eliminations	Consolidated
Current Assets									
Cash and cash equivalents	\$ 309	\$ 11,642	\$ 511	\$ 234	\$ 1,277	\$ 571			\$ 14,544
Short-term investments	164	22,998	3,869	7		2,816		\$ 181	29,673
Assets limited as to use - required for current liabilities		4,029							4,029
Patient accounts receivable, less estimated uncollectibles		38,016	3,223		586	6,099		10	47,914
Other receivables	7	500	363	17		85			972
Inventories		8,307			820	635			9,762
Prepaid expenses		1,265	8	11	43	321			1,648
Due from affiliates	367	11,823	898		80	138		13,001	305
Total current assets	847	98,580	8,872	269	2,806	10,665		13,192	108,847
Assets Limited As to Use, noncurrent									
Internally designated	2,547	103,817	3,586			4,578			114,528
Property, Plant and Equipment, net		132,401	188		423	12,281			145,293
Other Long-term Investments		1,623		6,178					7,801
Investments in Joint Ventures and Other Investments	2,552	8,671	984		165		\$ 1,225	7,208	6,389
Contributions Receivable, net				35					35
Other		1,834							1,834
Total assets	\$ 5,946	\$ 346,926	\$ 13,630	\$ 6,482	\$ 3,394	\$ 27,524	\$ 1,225	\$ 20,400	\$ 384,727

Liabilities and Net Assets

Current Liabilities									
Current maturities of long-term debt						\$ 2,388			\$ 2,388
Accounts payable	\$ 39	\$ 13,990	\$ 135	\$ 186	\$ 98	1,350		\$ 189	15,609
Accrued payroll	572	10,799	764	17	103	2,593			14,848
Estimated settlements due to third-party payers		7,139	11			105			7,255
Due to affiliates	5,185	5,019	449	2,069	626	4,689		13,001	5,036
Other current liabilities	31	6,809	81	33	20				6,974
Total current liabilities	5,827	43,756	1,440	2,305	847	11,125		13,190	52,110
Long-term Debt, net						14,859			14,859
Other Long-term Liabilities		12,386		111					12,497
Due to Affiliates		121,100							121,100
Total liabilities	5,827	177,242	1,440	2,416	847	25,984		13,190	200,566
Net Assets									
Unrestricted	(59)	166,128	12,190	51	2,547	419	\$ 1,225	3,739	178,762
Temporarily restricted	178	2,230		2,498		1,121		2,145	3,882
Permanently restricted		1,326		1,517				1,326	1,517
Total net assets	119	169,684	12,190	4,066	2,547	1,540	1,225	7,210	184,161
Total liabilities and net assets	\$ 5,946	\$ 346,926	\$ 13,630	\$ 6,482	\$ 3,394	\$ 27,524	\$ 1,225	\$ 20,400	\$ 384,727

Definitions

TRHS - Trinity Regional Health System
TMC - Trinity Medical Center
VNHA - Trinity Visiting Nurses and Homemakers Association
THF - Trinity Health Foundation

THE - Trinity Health Enterprises, Inc.
TM - Trinity Muscatine
IHP - Iowa Health Physicians, TRHS portion

Iowa Health System and Subsidiaries
Trinity Regional Health System and Subsidiaries (Rock Island)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2010

Schedule 6

	TRHS	TMC	VNHA	THF	THE	TM	IHP	Eliminations	Consolidated
Revenue									
Net patient service revenue		\$ 333,076	\$ 15,406		\$ 8,979	\$ 50,112		\$ 161	\$ 407,412
Other operating revenue	\$ 1,125	16,957	1,260	\$ 469	46	1,125	\$ (1,968)	3,782	15,232
Net assets released from restrictions used for operations	1		9	2,045					2,055
Total revenue	<u>1,126</u>	<u>350,033</u>	<u>16,675</u>	<u>2,514</u>	<u>9,025</u>	<u>51,237</u>	<u>(1,968)</u>	<u>3,943</u>	<u>424,699</u>
Expenses									
Salaries and wages	418	101,075	9,326	264	1,471	16,927		(4)	129,485
Physician compensation and services		20,270	41			7,439		10	27,740
Employee benefits	106	29,951	2,447	67	333	4,173		93	36,984
Supplies	26	67,330	589	11	5,331	6,008		167	79,128
Other expenses	387	72,684	2,440	2,572	1,037	10,559		2,837	86,842
Depreciation and amortization		14,729	56		104	1,080			15,969
Interest		6,490				494		75	6,909
Provision for uncollectible accounts		24,575	47		146	3,532			28,300
Total expenses	<u>937</u>	<u>337,104</u>	<u>14,946</u>	<u>2,914</u>	<u>8,422</u>	<u>50,212</u>	<u>-</u>	<u>3,178</u>	<u>411,357</u>
Operating Income (Loss)	<u>189</u>	<u>12,929</u>	<u>1,729</u>	<u>(400)</u>	<u>603</u>	<u>1,025</u>	<u>(1,968)</u>	<u>765</u>	<u>13,342</u>
Nonoperating Gains									
Investment income	86	13,609	458	16	252	150		86	14,485
Other, net		75			(3)	185			257
Total nonoperating gains, net	<u>86</u>	<u>13,684</u>	<u>458</u>	<u>16</u>	<u>249</u>	<u>335</u>	<u>-</u>	<u>86</u>	<u>14,742</u>
Revenue Over (Under) Expenses	<u>\$ 275</u>	<u>\$ 26,613</u>	<u>\$ 2,187</u>	<u>\$ (384)</u>	<u>\$ 852</u>	<u>\$ 1,360</u>	<u>\$ (1,968)</u>	<u>\$ 851</u>	<u>\$ 28,084</u>

Definitions

TRHS - Trinity Regional Health System
TMC - Trinity Medical Center
VNHA - Trinity Visiting Nurses and Homemakers Association
THF - Trinity Health Foundation
THE - Trinity Health Enterprises, Inc.
TM - Trinity Muscatine
IHP - Iowa Health Physicians, TRHS portion

Iowa Health System and Subsidiaries
St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2010

Schedule 7

Assets

	SLMH	CARE	CC-STL	STL-HR	JONES	CARDIO LC	Steam, Inc.	IHP	Eliminations	Consolidated
Current Assets										
Cash and cash equivalents	\$ 4,888	\$ 1,569	\$ 357	\$ 361	\$ 2,960	\$ 40	\$ 109			\$ 10,284
Short-term investments	43,574				1,642					45,216
Assets limited as to use - required for current liabilities	1,799									1,799
Patient accounts receivable, less estimated uncollectibles	37,725	895	981		1,700	922				42,223
Other receivables	1,787			51	21	120	1,095			3,074
Inventories	7,288		55		198					7,541
Prepaid expenses	1,227	54			49	27				1,357
Due from affiliates	2,766			1,034	5		531		\$ 4,011	325
Total current assets	101,054	2,518	1,393	1,446	6,575	1,109	1,735		4,011	111,819
Assets Limited As to Use, noncurrent										
Internally designated	76,230				6,190					82,420
Property, Plant and Equipment, net	131,355	4,551	476	3,052	14,359	1,383	5,057			160,233
Other Long-term Investments	18,949			92		259				19,300
Investments in Joint Ventures and Other Investments	13,464							\$ 7,830	8,273	13,021
Contributions Receivable	29,496				878					30,374
Other	115			212		1,018				1,345
Due From Affiliates	11,719			1,492					13,211	-
Total assets	\$ 382,382	\$ 7,069	\$ 1,869	\$ 6,294	\$ 28,002	\$ 3,769	\$ 6,792	\$ 7,830	\$ 25,495	\$ 418,512

Liabilities and Net Assets

Current Liabilities										
Current maturities of long-term debt		\$ 74			\$ 89					\$ 163
Accounts payable	\$ 9,282	366	\$ 301	\$ 24	270	\$ 36	\$ 247			10,526
Accrued payroll	19,918	275	259		806	571				21,829
Estimated settlements due to third-party payers	4,941		(123)		2,008					6,826
Due to affiliates	9,649	69	367		533	2	1,481		\$ 4,011	8,090
Other current liabilities	4,156	115		387		107	202			4,967
Total current liabilities	47,946	899	804	411	3,706	716	1,930		4,011	52,401
Long-term Debt, net		246			47					293
Other Long-term Liabilities	23,482			742		259	4,364			28,847
Due to Affiliates	79,291	412	4,498		6,810				13,211	77,800
Total liabilities	150,719	1,557	5,302	1,153	10,563	975	6,294		17,222	159,341
Net Assets										
Unrestricted	202,104	5,512	(3,433)	5,141	16,561	2,794	498	\$ 7,830	8,273	228,734
Temporarily restricted	11,489				878					12,367
Permanently restricted	18,070									18,070
Total net assets	231,663	5,512	(3,433)	5,141	17,439	2,794	498	7,830	8,273	259,171
Total liabilities and net assets	\$ 382,382	\$ 7,069	\$ 1,869	\$ 6,294	\$ 28,002	\$ 3,769	\$ 6,792	\$ 7,830	\$ 25,495	\$ 418,512

Definitions

SLMH - St. Luke's Methodist Hospital
CARE - STL Care Company
CC-STL - Continuing Care Hospital, STL
STL-HR - STL Health Resources

JONES - Jones Regional Medical Center
CARDIO LC - Cardiologists, L.C.
Steam, Inc. - St. Luke's Coe Steam, Inc.
IHP - Iowa Physicians, Cedar Rapids portion

Iowa Health System and Subsidiaries
St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2010

Schedule 8

	<u>SLMH</u>	<u>CARE</u>	<u>CC-STL</u>	<u>STL-HR</u>	<u>JONES</u>	<u>CARDIO LC</u>	<u>Steam, Inc.</u>	<u>IHP</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue										
Net patient service revenue	\$ 295,861	\$ 10,720	\$ 7,087		\$ 16,762	\$ 14,773			\$ 1,575	\$ 343,628
Other operating revenue	17,925	251	1	\$ 722	138	136	\$ 769	\$ (820)	3,065	16,057
Net assets released from restrictions used for operations	1,704									1,704
Total revenue	<u>315,490</u>	<u>10,971</u>	<u>7,088</u>	<u>722</u>	<u>16,900</u>	<u>14,909</u>	<u>769</u>	<u>(820)</u>	<u>4,640</u>	<u>361,389</u>
Expenses										
Salaries and wages	106,582	5,257	2,984		4,481	3,967			(106)	123,377
Physician compensation and services	11,679	21	20		1,414	11,060			222	23,972
Employee benefits	34,093	796	365		1,338	796			(21)	37,409
Supplies	48,040	1,038	617		1,067	1,178	20		58	51,902
Other expenses	55,524	2,561	3,079	536	4,019	1,588	644		3,849	64,102
Depreciation and amortization	15,410	403	92	115	1,104	694	97		172	17,743
Interest	4,187	65	183		369	53	15		705	4,167
Provision for uncollectible accounts	17,738		28		696	414				18,876
Total expenses	<u>293,253</u>	<u>10,141</u>	<u>7,368</u>	<u>651</u>	<u>14,488</u>	<u>19,750</u>	<u>776</u>	<u>-</u>	<u>4,879</u>	<u>341,548</u>
Operating Income (Loss)	<u>22,237</u>	<u>830</u>	<u>(280)</u>	<u>71</u>	<u>2,412</u>	<u>(4,841)</u>	<u>(7)</u>	<u>(820)</u>	<u>(239)</u>	<u>19,841</u>
Nonoperating Gains										
Investment income	12,474			25	806				66	13,239
Total nonoperating gains, net	<u>12,474</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66</u>	<u>13,239</u>
Revenue Over (Under) Expenses	<u>\$ 34,711</u>	<u>\$ 830</u>	<u>\$ (280)</u>	<u>\$ 96</u>	<u>\$ 3,218</u>	<u>\$ (4,841)</u>	<u>\$ (7)</u>	<u>\$ (820)</u>	<u>\$ (173)</u>	<u>\$ 33,080</u>

Definitions

SLMH - St. Luke's Methodist Hospital
CARE - STL Care Company
CC-STL - Continuing Care Hospital, STL
STL-HR - STL Health Resources
JONES - Jones Regional Medical Center
CARDIO LC - Cardiologists, L.C.
Steam, Inc. - St. Luke's Coe Steam, Inc.
IHP - Iowa Health Physicians, SLMH portion

Iowa Health System and Subsidiaries
Allen Health Systems, Inc. and Subsidiaries (Waterloo)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2010

Schedule 9

Assets

	AMH	MFAH	ACN	IHP	Eliminations	Consolidated
Current Assets						
Cash and cash equivalents	\$ 3,892	\$ 1,016				\$ 4,908
Short-term investments	15,408	3				15,411
Assets limited as to use - required for current liabilities	1,309					1,309
Patient accounts receivable, less estimated uncollectibles	22,046					22,046
Other receivables	1,873		\$ 283			2,156
Inventories	6,072					6,072
Prepaid expenses	692		85			777
Due from affiliates	3,003		2,413		\$ 5,008	408
Total current assets	<u>54,295</u>	<u>1,019</u>	<u>2,781</u>		<u>5,008</u>	<u>53,087</u>
Assets Limited As to Use, noncurrent						
Internally designated	1,512	76				1,588
Property, Plant and Equipment, net	102,334					102,334
Other Long-term Investments	68,823	6,865	269			75,957
Investments in Joint Ventures and Other Investments	4,189	1,004	3,838	\$ 5,469	7,791	6,709
Contributions Receivable	1,817	945				2,762
Other	3,799					3,799
Due From Affiliates	150					150
Total assets	<u>\$ 236,919</u>	<u>\$ 9,909</u>	<u>\$ 6,888</u>	<u>\$ 5,469</u>	<u>\$ 12,799</u>	<u>\$ 246,386</u>

Liabilities and Net Assets

Current Liabilities						
Current maturities of long-term debt	\$ 44					\$ 44
Accounts payable	5,885		\$ 31			5,916
Accrued payroll	10,118					10,118
Estimated settlements due to third-party payers	5,417					5,417
Due to affiliates	8,770	\$ 2,595			\$ 5,008	6,357
Other current liabilities	2,490	11	5			2,506
Total current liabilities	<u>32,724</u>	<u>2,606</u>	<u>36</u>		<u>5,008</u>	<u>30,358</u>
Other Long-term Liabilities	11,216	70	436			11,722
Due to Affiliates	63,040					63,040
Total liabilities	<u>106,980</u>	<u>2,676</u>	<u>472</u>		<u>5,008</u>	<u>105,120</u>
Net Assets						
Unrestricted	123,972	(558)	2,578	\$ 5,469		131,461
Temporarily restricted	4,150	6,025	2,072		6,025	6,222
Permanently restricted	1,817	1,766	1,766		1,766	3,583
Total net assets	<u>129,939</u>	<u>7,233</u>	<u>6,416</u>	<u>5,469</u>	<u>7,791</u>	<u>141,266</u>
Total liabilities and net assets	<u>\$ 236,919</u>	<u>\$ 9,909</u>	<u>\$ 6,888</u>	<u>\$ 5,469</u>	<u>\$ 12,799</u>	<u>\$ 246,386</u>

Definitions

AMH - Allen Memorial Hospital Corporation
MFAH - Memorial Foundation of Allen Hospital

ACN - Allen College of Nursing
IHP - Iowa Health Physicians, AHS portion

Iowa Health System and Subsidiaries
Allen Health Systems, Inc. and Subsidiaries (Waterloo)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2010

Schedule 10

	<u>AHS</u>	<u>AMH</u>	<u>MFAH</u>	<u>ACN</u>	<u>IHP</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue							
Net patient service revenue		\$ 208,146					\$ 208,146
Other operating revenue		7,758	\$ 34	\$ 6,688	\$ (4,416)	\$ 143	9,921
Net assets released from restrictions used for operations		<u>527</u>		<u>173</u>			<u>700</u>
Total revenue		<u>216,431</u>	<u>34</u>	<u>6,861</u>	<u>(4,416)</u>	<u>143</u>	<u>218,767</u>
Expenses							
Salaries and wages		68,187	314	3,740			72,241
Physician compensation and services		16,054					16,054
Employee benefits		17,138	92	1,056		143	18,143
Supplies		46,459	9	135			46,603
Other expenses	\$ 8	32,017	187	967			33,179
Depreciation and amortization		12,554					12,554
Interest		3,440	6				3,446
Provision for uncollectible accounts		6,333		18			6,351
Total expenses	<u>8</u>	<u>202,182</u>	<u>608</u>	<u>5,916</u>	<u>-</u>	<u>143</u>	<u>208,571</u>
Operating Income (Loss)	<u>(8)</u>	<u>14,249</u>	<u>(574)</u>	<u>945</u>	<u>(4,416)</u>	<u>-</u>	<u>10,196</u>
Nonoperating Gains							
Investment income		8,610	45				8,655
Other, net		8	315				323
Total nonoperating gains, net		<u>8,618</u>	<u>360</u>				<u>8,978</u>
Revenue Over (Under) Expenses	<u>\$ (8)</u>	<u>\$ 22,867</u>	<u>\$ (214)</u>	<u>\$ 945</u>	<u>\$ (4,416)</u>	<u>\$ -</u>	<u>\$ 19,174</u>

Definitions

AHS - Allen Health System
AMH - Allen Memorial Hospital Corporation
MFAH - Memorial Foundation of Allen Hospital
ACN - Allen College of Nursing
IHP - Iowa Health Physicians, AHS portion

Iowa Health System and Subsidiaries
Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2010

Schedule 11

Assets	Trinity Health Systems	Trinity Regional Medical Center	Berryhill Mental Health	Trinity Health Foundation	Trinity Building Corporation	Northwoods Living	Trimark	IHHC	Eliminations	Consolidated
Current Assets										
Cash and cash equivalents	\$ 89	\$ 4,831	\$ 205	\$ 408	\$ 732		\$ 1,990			\$ 8,255
Short-term investments		10,629								10,629
Assets limited as to use - required for current liabilities		410								410
Patient accounts receivable, less estimated uncollectibles		12,409	193				4,256			16,858
Other receivables	107	176			(6)		68			345
Inventories		2,839					531			3,370
Prepaid expenses	14	141	2		5		169			331
Due from affiliates	(45)	2,251		13	1				\$ 2,370	(150)
Total current assets	<u>165</u>	<u>33,686</u>	<u>400</u>	<u>421</u>	<u>732</u>		<u>7,014</u>		<u>2,370</u>	<u>40,048</u>
Assets Limited As to Use, noncurrent										
Internally designated		29,768		11,220						40,988
Property, Plant and Equipment, net	559	58,907	956	6	13,398		1,439			75,265
Other Long-term Investments	470			2,976			9,140			12,586
Investments in Joint Ventures and Other Investments	38,285	15,733						\$ 923	51,502	3,439
Contributions Receivable				866						866
Other	41	479	7				186			713
Due From Affiliates		117		220	12				349	-
Total assets	<u>\$ 39,520</u>	<u>\$ 138,690</u>	<u>\$ 1,363</u>	<u>\$ 15,709</u>	<u>\$ 14,142</u>	<u>\$ -</u>	<u>\$ 17,779</u>	<u>\$ 923</u>	<u>\$ 54,221</u>	<u>\$ 173,905</u>
Liabilities and Net Assets										
Current Liabilities										
Current maturities of long-term debt		\$ 473								\$ 473
Accounts payable		2,419	\$ 29		\$ 8		\$ 691			3,147
Accrued payroll	\$ 606	4,487	39	\$ 20	17		2,914			8,083
Accrued interest		264								264
Estimated settlements due to third-party payers		1,001	(399)							602
Due to affiliates	1,276	1,028	345	598	52		94		\$ 2,370	1,023
Other current liabilities	26	1,213	178		413		101			1,931
Total current liabilities	<u>1,908</u>	<u>10,885</u>	<u>192</u>	<u>618</u>	<u>490</u>		<u>3,800</u>		<u>2,370</u>	<u>15,523</u>
Long-term Debt, net		5,386								5,386
Other Long-term Liabilities	450	957	35				9,138			10,580
Due to Affiliates		17,772	117						349	17,540
Total liabilities	<u>2,358</u>	<u>35,000</u>	<u>344</u>	<u>618</u>	<u>490</u>		<u>12,938</u>		<u>2,719</u>	<u>49,029</u>
Net Assets										
Unrestricted	37,162	99,854	1,019	11,357	13,652		4,841	\$ 923	47,527	121,281
Temporarily restricted		1,971		1,869					2,110	1,730
Permanently restricted		1,865		1,865					1,865	1,865
Total net assets	<u>37,162</u>	<u>103,690</u>	<u>1,019</u>	<u>15,091</u>	<u>13,652</u>		<u>4,841</u>	<u>923</u>	<u>51,502</u>	<u>124,876</u>
Total liabilities and net assets	<u>\$ 39,520</u>	<u>\$ 138,690</u>	<u>\$ 1,363</u>	<u>\$ 15,709</u>	<u>\$ 14,142</u>	<u>\$ -</u>	<u>\$ 17,779</u>	<u>\$ 923</u>	<u>\$ 54,221</u>	<u>\$ 173,905</u>

Definitions

IHHC - Iowa Health Home Care, Trinity portion

Iowa Health System and Subsidiaries
Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2010

Schedule 12

	Trinity Health Systems	Trinity Regional Medical Center	Berryhill Mental Health	Trinity Health Foundation	Trinity Building Corporation	Northwoods Living	Trimark	IHHC	Eliminations	Consolidated
Revenue										
Net patient service revenue		\$ 98,451	\$ 2,083				\$ 40,312			\$ 140,846
Other operating revenue	\$ 2,575	3,368	44		2,114		2,472	\$ 706	\$ 4,169	7,110
Net assets released from restrictions used for operations		308	3	\$ 30						341
Total revenue	<u>2,575</u>	<u>102,127</u>	<u>2,130</u>	<u>30</u>	<u>2,114</u>		<u>42,784</u>	<u>706</u>	<u>4,169</u>	<u>148,297</u>
Expenses										
Salaries and wages	2,105	35,780	1,148	106			9,409			48,548
Physician compensation and services		1,034	232				19,269			20,535
Employee benefits	336	7,776	245	16			2,671			11,044
Supplies	1	17,541	26	5	6		2,932			20,511
Other expenses	288	23,710	390	668	1,358		7,569		4,410	29,573
Depreciation and amortization	60	5,233	85	2	723		414			6,517
Interest		1,535	6							1,541
Provision for uncollectible accounts		4,128	66				756			4,950
Total expenses	<u>2,790</u>	<u>96,737</u>	<u>2,198</u>	<u>797</u>	<u>2,087</u>		<u>43,020</u>	<u>-</u>	<u>4,410</u>	<u>143,219</u>
Operating Income (Loss)	<u>(215)</u>	<u>5,390</u>	<u>(68)</u>	<u>(767)</u>	<u>27</u>		<u>(236)</u>	<u>706</u>	<u>(241)</u>	<u>5,078</u>
Nonoperating Gains (Losses)										
Investment income		3,793		1,535	2					5,330
Other, net				265		\$ (948)				(683)
Total nonoperating gains (losses), net		<u>3,793</u>		<u>1,800</u>	<u>2</u>	<u>(948)</u>				<u>4,647</u>
Revenue Over (Under) Expenses	<u>\$ (215)</u>	<u>\$ 9,183</u>	<u>\$ (68)</u>	<u>\$ 1,033</u>	<u>\$ 29</u>	<u>\$ (948)</u>	<u>\$ (236)</u>	<u>\$ 706</u>	<u>\$ (241)</u>	<u>\$ 9,725</u>

Definitions

IHHC - Iowa Health Home Care, Trinity portion

Iowa Health System and Subsidiaries
St. Luke's Health System, Inc. (Sioux City)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2010

Schedule 13

Assets

	SLHS	SLRMC	SLHR	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	\$ 46	\$ 5,110	\$ 331		\$ 5,487
Short-term investments		8,806			8,806
Assets limited as to use - required for current liabilities		1,489			1,489
Patient accounts receivable, less estimated uncollectibles		17,659	1,215		18,874
Other receivables	(2)	2,834	81		2,913
Inventories		3,255	38		3,293
Prepaid expenses	38	1,581	46		1,665
Due from affiliates	(55)	38,451		\$ 38,239	157
Total current assets	<u>27</u>	<u>79,185</u>	<u>1,711</u>	<u>38,239</u>	<u>42,684</u>
Assets Limited As to Use, noncurrent					
Internally designated		42,346			42,346
Property, Plant and Equipment, net	2,806	50,967	2,644		56,417
Other Long-term Investments		1,009			1,009
Investments in Joint Ventures and Other Investments	9,195	791	22		10,008
Contributions Receivable		3,469			3,469
Other		475			475
Total assets	<u>\$ 12,028</u>	<u>\$ 178,242</u>	<u>\$ 4,377</u>	<u>\$ 38,239</u>	<u>\$ 156,408</u>

Liabilities and Net Assets (Deficit)

Current Liabilities					
Current maturities of long-term debt	\$ 72				\$ 72
Accounts payable	9	\$ 4,098	\$ 122		4,229
Accrued payroll		5,117	123		5,240
Estimated settlements due to third-party payers		2,402			2,402
Due to affiliates	165	3,816	38,074	\$ 38,239	3,816
Other current liabilities	218	2,700	317		3,235
Total current liabilities	<u>464</u>	<u>18,133</u>	<u>38,636</u>	<u>38,239</u>	<u>18,994</u>
Long-term Debt, net	199				199
Other Long-term Liabilities		6,367	308		6,675
Due to Affiliates		44,305			44,305
Total liabilities	<u>663</u>	<u>68,805</u>	<u>38,944</u>	<u>38,239</u>	<u>70,173</u>
Net Assets (Deficit)					
Unrestricted	11,365	105,686	(34,567)		82,484
Temporarily restricted		2,255			2,255
Permanently restricted		1,496			1,496
Total net assets (deficit)	<u>11,365</u>	<u>109,437</u>	<u>(34,567)</u>		<u>86,235</u>
Total liabilities and net assets (deficit)	<u>\$ 12,028</u>	<u>\$ 178,242</u>	<u>\$ 4,377</u>	<u>\$ 38,239</u>	<u>\$ 156,408</u>

Definitions

SLHS - St. Luke's Health System
SLRMC - St. Luke's Regional Medical Center

SLHR - St. Luke's Health Resources

Iowa Health System and Subsidiaries

Schedule 14

St. Luke's Health System, Inc. (Sioux City)

Consolidating Schedule - Revenue and Gains, Expenses and Losses Information

(In Thousands)

Year Ended December 31, 2010

	SLHS	SLRMC	SLHR	Eliminations	Consolidated
Revenue					
Net patient service revenue		\$ 125,479	\$ 11,379		\$ 136,858
Other operating revenue	\$ 1,391	5,123	1,649	\$ 495	7,668
Total revenue	<u>1,391</u>	<u>130,602</u>	<u>13,028</u>	<u>495</u>	<u>144,526</u>
Expenses					
Salaries and wages	10	42,040	3,821		45,871
Physician compensation and services		6,297	5,232		11,529
Employee benefits		14,234	958		15,192
Supplies	1	20,992	529		21,522
Other expenses	820	23,385	3,498	495	27,208
Depreciation and amortization	389	5,655	554		6,598
Interest	4	2,169			2,173
Provision for uncollectible accounts		10,606	721		11,327
Total expenses	<u>1,224</u>	<u>125,378</u>	<u>15,313</u>	<u>495</u>	<u>141,420</u>
Operating Income (Loss)	<u>167</u>	<u>5,224</u>	<u>(2,285)</u>	<u>-</u>	<u>3,106</u>
Nonoperating Gains (Losses)					
Investment income		5,191	1		5,192
Other, net	(32)				(32)
Total nonoperating gains (losses), net	<u>(32)</u>	<u>5,191</u>	<u>1</u>		<u>5,160</u>
Revenue Over (Under) Expenses	<u>\$ 135</u>	<u>\$ 10,415</u>	<u>\$ (2,284)</u>	<u>\$ -</u>	<u>\$ 8,266</u>

Definitions

SLHS - St. Luke's Health System

SLRMC - St. Luke's Regional Medical Center

SLHR - St. Luke's Health Resources

Iowa Health System and Subsidiaries
Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2010

Schedule 15

Assets

	TRI-ST	Finley	VNA	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents		\$ 4,105	\$ 278		\$ 4,383
Short-term investments		8,261			8,261
Patient accounts receivable, less estimated uncollectibles		11,392	485		11,877
Other receivables		1,139	40		1,179
Inventories		2,058			2,058
Prepaid expenses		791	1		792
Due from affiliates		239	3	\$ 72	170
Total current assets		<u>27,985</u>	<u>807</u>	<u>72</u>	<u>28,720</u>
Assets Limited As to Use, noncurrent					
Internally designated		47,436			47,436
Property, Plant and Equipment, net					
		49,680	156		49,836
Other Long-term Investments					
		410			410
Investments in Joint Ventures and Other Investments					
	\$ 14	4,268			4,282
Contributions Receivable					
		5,199	1,689		6,888
Other					
		50	1		51
Due From Affiliates					
		90			90
Total assets	<u>\$ 14</u>	<u>\$ 135,118</u>	<u>\$ 2,653</u>	<u>\$ 72</u>	<u>\$ 137,713</u>

Liabilities and Net Assets

Current Liabilities					
Current maturities of long-term debt		\$ 888			\$ 888
Accounts payable		3,367	\$ 12		3,379
Accrued payroll		4,702	246		4,948
Estimated settlements due to third-party payers		2,808	41		2,849
Due to affiliates		2,352	69	\$ 72	2,349
Other current liabilities		1,662	232		1,894
Total current liabilities		<u>15,779</u>	<u>600</u>	<u>72</u>	<u>16,307</u>
Other Long-term Liabilities					
		894	13		907
Due to Affiliates					
		8,479			8,479
Total liabilities		<u>25,152</u>	<u>613</u>	<u>72</u>	<u>25,693</u>
Net Assets					
Unrestricted	\$ 14	104,768	351		105,133
Temporarily restricted		3,396	1,689		5,085
Permanently restricted		1,802			1,802
Total net assets	<u>14</u>	<u>109,966</u>	<u>2,040</u>		<u>112,020</u>
Total liabilities and net assets	<u>\$ 14</u>	<u>\$ 135,118</u>	<u>\$ 2,653</u>	<u>\$ 72</u>	<u>\$ 137,713</u>

Definitions

TRI-ST - Finley Tri-States Health Group, Inc.
 Finley - The Finley Hospital
 VNA - Visiting Nurse Association

Iowa Health System and Subsidiaries
Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2010

Schedule 16

	TRI-ST	Finley	VNA	Eliminations	Consolidated
Revenue					
Net patient service revenue		\$ 88,986	\$ 2,998		\$ 91,984
Other operating revenue		3,558			3,558
Total revenue		<u>92,544</u>	<u>2,998</u>		<u>95,542</u>
Expenses					
Salaries and wages		31,443	2,060		33,503
Physician compensation and services		3,611			3,611
Employee benefits		8,190	582		8,772
Supplies		14,472	100		14,572
Other expenses	\$ 13	21,030	261		21,304
Depreciation and amortization		5,677	36		5,713
Interest		681			681
Provision for uncollectible accounts		2,640			2,640
Total expenses	<u>13</u>	<u>87,744</u>	<u>3,039</u>		<u>90,796</u>
Operating Income (Loss)	<u>(13)</u>	<u>4,800</u>	<u>(41)</u>		<u>4,746</u>
Nonoperating Gains					
Investment income		5,787	4		5,791
Other, net		246	68		314
Total nonoperating gains, net		<u>6,033</u>	<u>72</u>		<u>6,105</u>
Revenue Over (Under) Expenses	<u>\$ (13)</u>	<u>\$ 10,833</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 10,851</u>

Definitions

TRI-ST - Finley Tri-States Health Group, Inc.
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