Constantino, Mike

From: Kara Friedman [KFriedman@Polsinelli.com]
Sent: Friday, July 27, 2012 1:35 PM
To: Constantino, Mike
Cc: 'Penny D. Davis'; 'Ravin Bisla'
Subject: Lawndale Dialysis Modification, 11-103
Attachments: SCAN6958_000.pdf; SCAN6959_000.pdf

Mike,

I have attached two pdfs which relate to the modification for Lawndale that we've been working on. One is a covering letter for the modification with most of the attachments. The second file is the most recent Sinai Health System financial statement. Next week, the originals of the transaction document will either be sent directly to you or through my office. As the end of the letter notes, DaVita will also prepare a check for the modification after you advise me of the amount due.

We really appreciate your assistance through this process.

-Kara

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July 27, 2012

Via Electronic Mail

Mr. Michael Constantino
Illinois Health Facilities and Services
Review Board
525 West Jefferson
2nd Floor
Springfield, Illinois 62761

Re: Lawndale Dialysis, Project No. 11-103

Dear Mike:

This letter is written in connection with the above referenced project, Lawndale Dialysis and constitutes a modification to the CON application. The modification primarily relates to the ownership participation of Mount Sinai Hospital Medical Center of Chicago in this planned facility. Based on the technical assistance we have received regarding this matter, this letter constitutes a Type B modification to the pending CON application for Lawndale Dialysis pursuant to Section 1130.650(b) of the HFSRB rules. We have included the following items with this submission:

(1) Membership Interest Purchase and Sale Agreement for Cowell Dialysis, LLC for Mount Sinai Hospital Medical Center of Chicago.

(2) Most recent audited financial statement for Sinai Health System, the parent of Mount Sinai Hospital Medical Center of Chicago.

(3) The latest financial statements for DaVita Inc. are a matter of public record and were previously submitted with the application for Project No. 12-034.

(4) Updated Attachment 3 indicating the ownership interests in Cowell Dialysis, LLC.

(5) Updated Attachment 7 which revises project costs and sources of funds to reflect that:

(a) There will partial cash financing and partial borrowing to fund the project. Note the fair market value of the leased space figure remains unchanged, and

(b) A net interest expense line item has been added to project costs to reflect the expense associated with borrowing during construction.

(6) Due to changes in Attachment 7, we have revised Attachment 9 to reflect the changes in project costs. (Attachment 9).

(7) In connection with the change of the finance plan, we have included an updated Availability of Funds table, a related narrative and a letter of interest from the intended lender for the project. (Attachment 39)

(8) Financial viability ratio documentation and related worksheets. (Attachment 41).

(9) Updated Reasonableness of Financing Arrangements certification relating to the borrowing intended for the project (Attachment 42B).

(10) Revised projected capital costs to include net interest expense related to borrowing (Attachment 42E).

We understand the Illinois Health Facilities and Services Review Board will calculate the processing fee for the modification of the Lawndale Dialysis CON application and will send a notice of fee balance due.

Thank you very much for your assistance with this matter. If you have any questions regarding these materials, please feel free to contact me.

Sincerely,

Kara Friedman

Kara M. Friedman

Enclosures

cc: Penny Davis

Final Copy

MEMBERSHIP INTEREST PURCHASE AND SALE AGREEMENT COWELL DIALYSIS, LLC

THIS MEMBERSHIP INTEREST PURCHASE AND SALE AGREEMENT (this "Agreement") is entered into this 27th day of July, 2012 ("Execution Date"), by and between Mount Sinai Hospital Medical Center of Chicago, an Illinois not-for-profit corporation ("Buyer"), and Total Renal Care, Inc., a California corporation ("Seller").

RECITALS

A. Seller formed Cowell Dialysis, LLC, a Delaware limited liability company ("Company"), pursuant to a Certificate of Formation filed with the Secretary of State of the State of Delaware on September 7, 2011.

B. Seller is the sole member of Company and owns all of the issued and outstanding membership interests of Company.

C. The Company has applied to the Illinois Health Facilities and Services Review Board to obtain a certificate of need permit (the "CON Permit) to establish a freestanding dialysis center to be known as Lawndale Dialysis Center and located at 3934 W. 24th, Chicago, IL as more particularly set forth in the pending application for CON Permit, Docket No. 11-103.

D. Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, Five Hundred Four Thousand Two Hundred and Forty (504,240) of Seller's Units (the "Buyer Transferred Units"), representing a twenty-two percent (22%) interest in Company.

E. Contemporaneously, Zoa Associates, Inc., an Illinois corporation ("Zoa") desires to purchase from Seller, and Seller desires to sell to Zoa, Six Hundred Eighteen Thousand Eight Hundred and Forty (618,840) of Seller's Units (the "Zoa Transferred Units"), representing a twenty-seven percent (27%) interest in Company.

F. Seller will transfer the Buyer Transferred Units to Buyer pursuant to the terms and conditions set forth herein, and Buyer will thereafter become a Member of Company, and will transfer to Zoa, the Zoa Transferred Units pursuant to the terms and conditions of a separate agreement.

G. Following the Closing Date, as defined in Section 2 below, Seller will own a fifty-one percent (51%) interest in Company.

H. The parties are discussing the possibility of a joint venture to develop a home hemodialysis program at some later date.

NOW, THEREFORE, in consideration of the foregoing premises and the covenants, agreements, representations and warranties contained herein, the parties, intending to be legally bound hereby, agree as follows:

1. Purchase and Sale of Buyer Transferred Units; Purchase Price.

1.1 Purchase and Sale of Buyer Transferred Units. In consideration of Buyer's payment of the Purchase Price (as defined in Section 1.2 below), on the Closing Date (as defined in Section 2 below), Seller shall sell, assign and transfer to Buyer, and Buyer shall purchase and assume from Seller, all of Seller's right, title and interest in and to the Buyer Transferred Units, free and clear of any Liens (as such term is defined in Section 3.4 below).

1.2 Purchase Price. The purchase price to be paid by Buyer to Seller for the Buyer Transferred Units shall be Seventy-Five Thousand Six Hundred Thirty-Six Dollars ($75,636.00) (the "Purchase Price"). The parties acknowledge that the Purchase Price represents twenty-two percent (22%) of the value of the in Company as of the Closing Date. The parties agree that no consideration is or will be paid for the value of any patient referrals (direct or indirect) to or from Buyer, Seller or any of their Affiliates.

2. Closing; Closing Date; Effective Date. The consummation of the transaction contemplated by this Agreement (the "Closing") shall take place on or before September 1, 2012, or on such other date as the parties may mutually agree, prior to the issuance of the CON Permit (the "Closing Date"), and shall be effective on September 1, 2012 (the "Effective Date"). The Closing shall take place at the offices of Seller's counsel, or by electronic transmission of PDF files, and overnight mail, or by such other means or at such location as the parties may mutually agree. The Closing shall be deemed to have occurred at 12:01 a.m. Central Time on the Closing Date.

3. Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer, as of the Execution Date and the Closing Date (except for those representations and warranties that are made as of the Closing Date only, which are true and correct as of the Closing Date), that:

3.1 Status; Authorization. Seller is a corporation duly organized and in good standing under the laws of the State of California. Company is a limited liability company duly organized and in good standing under the laws of the State of Delaware. The Company has no subsidiaries. Seller and Company are duly licensed or qualified to do business in the State of Illinois. Seller has all requisite power and authority to execute, deliver and perform its obligations under this Agreement, the, and all other agreements and documents required to be delivered by Seller prior to or at the Closing (all of the foregoing, collectively, the "Seller Transaction Documents"). The execution, delivery and performance by Seller of the Seller Transaction Documents have been duly authorized by all necessary action on the part of Seller. Each of the Seller Transaction Documents has been duly executed and delivered by Seller, and assuming due authorization, execution and delivery by Buyer, constitutes the legal, valid and binding agreement of Seller, enforceable against Seller in accordance with its terms. When executed and delivered as contemplated herein, and assuming due authorization, execution and delivery by Buyer as applicable, each of the Seller Transaction Documents shall constitute the legal, valid and binding agreement of Seller, enforceable against Seller in accordance with its terms.

3.2 No Conflict; No Violation. The execution, delivery and performance of this Agreement by Seller does not and will not, and the execution, delivery and performance of each of the other Seller Transaction Documents by Seller will not, (a) violate the articles or certificate of formation or other organizational documents of Company or Seller; (b) violate any law, statute, rule, regulation, order, judgment or decree to which Company or Seller is subject; (c) conflict with or result in a breach of or constitute a default under any contract, agreement or other instrument to which Company or Seller is a party or by which Seller or Company, or any of Seller's or Company's assets or properties are bound or subject; (d) result in or require the creation of any Lien, charge or other encumbrance upon Transferred Units or any assets of the Company; or (e) require any approval or consent of any other person, whether under any contract, agreement or other instrument to which Company or Seller is a party or by which Seller, Company or their assets or properties are bound or subject.

3.3 Absence of Adverse Proceedings. Neither the execution and/or delivery of this Agreement or any other Seller Transaction Document by Seller nor the consummation by Seller of the transactions contemplated herein and therein violate any order, writ, injunction, judgment or decree of any federal, state or local court, department or agency to which Seller or Company is a party or by which Seller or Company is bound.

3.4 Title to Interest; No Liens; Entire Interest. As of the Closing Date, Seller is the sole legal and beneficial holder of Buyer Transferred Units, free and clear of any mortgage, security interest, pledge, hypothecation, assignment, encumbrance, lien (statutory or otherwise), charge, preference, priority or other security arrangement, option, warrant, attachment, right of first refusal, preemptive right, conversion, put, call or other claim or right, restriction, transfer, or preferential arrangement of any kind or nature whatsoever (fixed or unfixed, known or unknown, asserted or unasserted, liquidated or unliquidated, secured or unsecured (collectively, "Liens").

3.5 No Liabilities or Operations. Except for the application for the CON Permit and the activities related thereto, (a) Company has no liability, obligation, expense, claim, deficiency, guaranty or endorsement of any type, whether accrued, absolute, contingent, matured, unmatured or otherwise, and (b) Company has not conducted business or had any operations of any kind.

3.6 Solvency. There is no bankruptcy or insolvency proceeding of any character including without limitation, bankruptcy, receivership, reorganization, dissolution or arrangement with creditors, voluntary or involuntary, affecting Seller or Company, and neither Seller nor Company has taken any action in contemplation of, or which would constitute the basis for, the institution of any such proceedings.

3.7 No Brokers. Seller has not employed, either directly or indirectly, or incurred any liability to, any broker, finder or other agent in connection with the transactions contemplated by this Agreement. Seller agrees to indemnify, defend and hold harmless Buyer and Company for any claims brought by any broker, finder or other agent claiming to have acted on behalf of Seller in connection with the purchase and sale of Transferred Units.

4. Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller, as of the Execution Date and the Closing Date (except for those representations and warranties that are made as of the Closing Date only, which are true and correct as of the Closing Date), that:

4.1 Status; Authorization. Buyer is a not-for-profit entity duly organized, validly existing and in good standing under the laws of the State of Illinois and is a tax exempt entity under Section 501(c)(3) of the Code. Subject to the conditions set forth in Section 5.1(h), Buyer has all requisite power and authority to execute, deliver and perform its obligations under this Agreement, , and all other agreements and documents required to be delivered by Buyer prior to or at the Closing (all of the foregoing, collectively, the "Buyer Transaction Documents"). Subject to the conditions set forth in Section 5.1(h), the execution, delivery and performance by Buyer of Buyer Transaction Documents have been duly authorized by all necessary action on the part of Buyer and its equity holder(s). Each of Buyer Transaction Documents has been duly executed and delivered by Buyer, and assuming due authorization, execution and delivery by Seller, constitutes the legal, valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms. When executed and delivered as contemplated herein, and assuming due authorization, execution and delivery by Seller as applicable, each of Buyer Transaction Documents shall constitute the legal, valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms.

4.2 No Conflict; No Violation. The execution, delivery and performance of this Agreement by Buyer does not and will not, and the execution, delivery and performance of each of the other Buyer Transaction Documents by Buyer will not, (a) violate the articles or certificate of formation or other organizational documents of Buyer; (b) violate any law, statute, rule, regulation, order, judgment or decree to which Buyer is subject; (c) conflict with or result in a breach of or constitute a default under any contract, agreement or other instrument to which Buyer is a party or by which Buyer or any of its assets or properties are bound or subject; or (d) require any approval or consent of any other person, whether under any contract, agreement or other instrument to which Buyer is a party or by which Buyer or its assets or properties are bound or subject.

4.3 No Brokers. Buyer has not employed, either directly or indirectly, or incurred any liability to, any broker, finder or other agent in connection with the transactions contemplated by this Agreement. Buyer agrees to indemnify, defend and hold harmless Seller and Company for any claims brought by any broker, finder or other agent claiming to have acted on behalf of Buyer in connection with the purchase and sale of Transferred Units.

4.4 Absence of Adverse Proceedings. Neither the execution and/or delivery of this Agreement or any other Buyer Transaction Document by Buyer nor the consummation by Buyer of the transactions contemplated herein and therein violate any order, writ, injunction, judgment or decree of any federal, state or local court, department or agency to which Buyer is a party or by which Buyer is bound.

5. Closing Conditions.

5.1 Conditions to Buyer's Obligations. The obligations of Buyer under this Agreement are subject to the satisfaction of the following conditions on or prior to the Closing Date, all or any of which may be waived in writing by Buyer:

(a) Each representation and warranty made by Seller in this Agreement shall be true and correct in all respects, as of the Execution Date and as of the Closing Date as though made on such dates (except for representations and warranties made as of a specified date, the accuracy of which will be determined only as of the specified date) and Buyer shall have received a certificate executed by an officer of Seller certifying the foregoing.

(b) Seller shall have performed, satisfied and complied with all obligations and covenants required by this Agreement to be performed or complied with by Seller on or prior to the Closing Date.

(c) As of the Closing Date, there shall not have occurred any event, circumstance, change or effect that individually or in the aggregate with all other events, circumstances, changes or effects, is reasonably expected to be materially adverse to Buyer's Transferred Units or to Seller's ability to perform its obligations as contemplated in this Agreement since the Execution Date.

(d) Seller shall have delivered to Buyer all documents required to be delivered to Buyer by Seller, and all such documents shall have been properly executed by Seller.

(e) Seller and Zoa shall have executed and delivered to Buyer the Limited Liability Company Operating Agreement dated as of the Closing Date (the "LLC Operating Agreement"), on terms and conditions satisfactory to Buyer, Seller, and Zoa (the LLC Operating Agreement and this Agreement, the "Definitive Agreements").

(f) The Buyer is reasonably satisfied that the purchase of the Buyer Transferred Units and the terms of each of the Definitive Agreements do not violate the laws applicable to Buyer, including, without limitation, regulatory rules and non-profit tax laws.

(g) The Buyer shall have received requisite approval from its board of directors or a committee thereof, as required, to purchase the Buyer Transferred Units, approving the terms of the Definitive Agreements, and otherwise to proceed with the Closing of the transactions contemplated by this Agreement.

5.2 Conditions to Seller's Obligations. The obligations of Seller under this Agreement are subject to the satisfaction of the following conditions on or prior to the Closing Date (or the Execution Date as noted below), all or any of which may be waived in writing by Seller:

(a) Each representation and warranty made by Buyer in this Agreement shall be true and correct in all respects, as of the Execution Date and as of the

Closing Date as though made on such dates (except for representations and warranties made as of a specified date, the accuracy of which will be determined only as of the specified date) and Seller shall have received a certificate executed by an officer of Buyer certifying the foregoing.

(b) Buyer shall have performed, satisfied and complied with all obligations and covenants required by this Agreement to be performed or complied with by Buyer on or prior to the Closing Date.

(c) Buyer shall have delivered to Seller all documents required to be delivered by Buyer, and all such documents shall have been properly executed by Buyer, including a certificate signed by the secretary or other authorized officer of Buyer and dated as of the Closing Date, certifying that the Board of Directors or other managing body of Seller, as provided in Section 5.1(g), have adopted resolutions to authorize the transactions contemplated by this Agreement.

(d) Buyer shall have delivered to Seller the Purchase Price under Section 1.2.

(e) Buyer and Zoa shall have executed and delivered to Seller the LLC Operating Agreement dated as of the Closing Date, on terms and conditions satisfactory to Buyer, Seller, and Zoa.

6. Indemnification.

6.1 Survival of Representations and Warranties. All of Seller's and Buyer's representations and warranties contained in this Agreement and in any document or instrument delivered pursuant hereto shall (a) be deemed to be material and to have been relied upon by the other party, and (b) survive from and after the Closing Date for the greater of one (1) year or one (1) full Company audit cycle (the "Survival Period").

6.2 Indemnification by Seller. Seller shall indemnify, defend and hold harmless Buyer and its affiliates (including, without limitation, Company), directors, officers, employees, agents, representatives and successors, from and against all claims, causes of action, damages, suits, liabilities, costs and expenses (collectively, "Losses") asserted against or incurred by Buyer or its equity holders, members, affiliates (including, without limitation, Company), directors, officers, employees, agents, representatives and successors, resulting from or arising out of any breach by Seller of any of its warranties, representations or covenants set forth in this Agreement. All representations and warranties contained in Section 3 of this Agreement and the indemnification provision contained in this Section 6.2 shall continue to be fully effective and enforceable during the Survival Period, and shall thereafter be of no further force and effect.

6.3 Indemnification by Buyer. Buyer shall indemnify, defend and hold harmless Seller and its shareholders, affiliates (including, without limitation, Company), directors, officers, employees, agents, representatives and successors, from and against all Losses asserted against or incurred by Seller or any of its equity holders, members, shareholders, affiliates (including, without limitation, Company), directors, officers, employees, agents, representatives and successors, resulting from or arising out of any breach by Buyer of any of its warranties, representations or covenants set forth in this Agreement. All representations and warranties contained in Section 5 of this Agreement and the indemnification provision contained in this Section 6.4 shall continue to be fully effective and enforceable during the Survival Period, and shall thereafter be of no further force and effect.

6.4 Indemnification Process. Any party seeking indemnification under this Section 6 (an "Indemnified Party") shall give each party from whom indemnification is being sought (each, an "Indemnifying Party") written notice of any matter which such Indemnified Party has determined has given rise to or could give rise to a right of indemnification under this Agreement, stating the amount of the Loss, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises. The obligations and liabilities of an Indemnifying Party under this Section 6 with respect to Losses arising from claims of any third party which are subject to the indemnification provided for in this Section 6 ("Third Party Claims") shall be governed by and contingent upon the following additional terms and conditions:

(a) If any Indemnified Party shall receive notice of any Third Party Claim, the Indemnified Party shall give each Indemnifying Party notice of such Third Party Claim within thirty (30) days of the receipt by the Indemnified Party of such notice; provided, however, that the failure to provide such notice shall not release an Indemnifying Party from any of its obligations under this Section except to the extent the Indemnifying Party is materially prejudiced by such failure.

(b) If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third Party Claim, then the Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within thirty (30) days of the receipt of such notice from the Indemnified Party; provided, however, that if it would be detrimental to the defense of the Indemnified Party for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel, in each jurisdiction for which the Indemnified Party determines counsel is required, at the expense of the Indemnifying Party.

(c) In the event the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnifying Party declines to take such defense and the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying

Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party.

(d) If the Indemnifying Party shall have failed to assume the defense of any claim in accordance with the provisions of this Section 6, then the Indemnified Party shall have the absolute right to control the defense of such claim and, if and when it is finally determined that the Indemnified Party is entitled to indemnification from the Indemnifying Party hereunder, the fees and expenses of the Indemnified Party's counsel shall be borne by the Indemnifying Party and paid by the Indemnifying Party to the Indemnified Party within five (5) business days of written demand therefor, but the Indemnifying Party shall be entitled, at its own expense, to participate in (but not control) such defense.

(e) So long as the Indemnifying Party has assumed and is conducting the defense of the Third Party Claim in accordance with Section 6.5(b) above, (i) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably provided that the Indemnified Party is completely released from all claims) unless the judgment or proposed settlement involves only the payment of money damages by the Indemnifying Party and does not impose an injunction or other equitable relief upon the Indemnified Party, and (ii) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (not to be withheld unreasonably).

7. Miscellaneous.

7.1 Assignment. No party hereto shall assign or otherwise transfer this Agreement or any of its rights hereunder, or delegate any of its obligations hereunder, without the prior written consent of the other party; provided, however, that (a) Seller shall be permitted, without the consent of Buyer, to assign or otherwise transfer this Agreement or any of its rights hereunder: (i) upon the purchase or sale of all or substantially all of the assets or stock of Seller or DaVita Inc. or the transfer (by operation of law or otherwise) of the ownership or control of Seller or DaVita Inc., to the purchaser of such assets or stock or the transferee of such interests; or (b) to any affiliate of Seller, and (b) Buyer shall be permitted, without the consent of Seller, to assign or otherwise transfer this Agreement or any of its rights hereunder: (i) upon the purchase or sale of all or substantially all of the assets or stock of Buyer or the transfer (by operation of law or otherwise) of the ownership or control of Buyer, to the purchaser of such assets or stock or the transferee of such interests; or (b) to any affiliate of Buyer. Subject to the foregoing, this Agreement and the rights and obligations set forth herein shall inure to the benefit of, and be binding upon the parties hereto, and each of their respective successors, heirs and assigns.

7.2 Notices. All notices, requests, and other communication to any party hereto shall be in writing and shall be addressed to the receiving party's address set forth below or to any other address as a party may designate by notice hereunder, and shall either be (a) delivered by hand, (b) sent by recognized overnight courier, or (c) sent by certified mail, return receipt requested, postage prepaid.

If to Seller:	Total Renal Care, Inc. c/o DaVita Inc. 601 Hawaii Street El Segundo, California 90245 Attention: Chief Operating Officer Facsimile No.: (310) 536-2679
With a copy to:	DaVita Inc. 601 Hawaii Street El Segundo, California 90245 Attention: General Counsel Facsimile No.: (310) 536-2679
If to Buyer:	Mount Sinai Hospital Medical Center of Chicago Ogden at California Avenue Chicago, IL 60608 Attention: Charles Weis, Executive Vice President and Chief Financial Officer Facsimile No.:
With a copy to:	Holland & Knight LLP 131 S. Dearborn St., 30th Floor Chicago, Illinois 60603 Attention: Clare Connor Ranalli Facsimile No.: 312) 578-6666

All notices, requests, and other communication hereunder shall be deemed effective (i) if delivered by hand, at the time of the delivery thereof to the receiving party at the address of such party set forth above, (ii) if sent by overnight courier, on the next business day following the day such notice is delivered to the courier service, or (iii) if sent by certified mail, five (5) business days following the day such mailing is made.

7.3 Successors and Assigns. This Agreement and the rights, privileges, duties and obligations of the parties hereunder, to the extent assignable, shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

7.4 Integration; Modification. The execution and delivery of this Agreement by the parties has not been induced by any representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter hereof. This Agreement may be modified or supplemented only by a written instrument executed by all of the parties hereto.

7.5 Severability. Any provision hereof which is held to be prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be adjusted rather than avoided, if possible, in order to achieve the intent of the parties to this Agreement to the extent possible without in any manner invalidating the remaining provisions hereof.

7.6 Further Assurances. Each party agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as the other may reasonably require to consummate, evidence or confirm the agreements contained herein in the manner contemplated hereby.

7.7 Governing Law; Venue. This Agreement and the rights of the parties hereunder shall be governed by and construed in accordance with the Laws of the State of Illinois, including all matters of construction, validity, performance and enforcement and without giving effect to contrary principles of conflict of laws. The parties hereby consent to and waive any objection to the jurisdiction and venue of any state court or federal court of general jurisdiction in or near Chicago, Illinois with respect to any action or proceeding relating in any way to this Agreement and agree that any action brought pursuant to this Agreement shall be brought in such a court in or near Chicago, Illinois.

7.8 Counterparts. This Agreement may be executed in two or more counterparts, any one of which need not contain the signatures of all parties, but all of which counterparts when taken together will constitute one and the same agreement. Signatures delivered by facsimile or by electronic transmission of a PDF file shall have the same effect as originals.

7.9 Representation by Counsel. Each party hereto acknowledges that it has been advised by legal and any other counsel retained by such party in its sole discretion. Each party acknowledges that such party has had a full opportunity to review this Agreement and all related attachments, exhibits, schedules and ancillary agreements and to negotiate any and all such documents in its sole discretion, without any undue influence by any other party hereto or any third party.

7.10 Expenses. Each of the parties hereto shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder.

7.11 Construction. The parties have participated jointly in the negotiations and drafting of this Agreement and in the event of any ambiguity or question of intent or interpretation, no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

7.12 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

[Signature pages to follow]

IN WITNESS WHEREOF, Buyer and Seller have caused this Agreement to be executed as of the date first written above.

BUYER:

Mount Sinai Hospital Medical Center of Chicago

By: ____________________
Name: Karen Teitelbaum
Its: EVP/COO

SELLER:

Total Renal Care, Inc.

By: ____________________
Name: ____________________
Its: ____________________

IN WITNESS WHEREOF, Buyer and Seller have caused this Agreement to be executed as of the date first written above.

BUYER:

Mount Sinai Hospital Medical Center of Chicago

By: ______________________________
Name: ____________________________
Its: ______________________________

SELLER:

Total Renal Care, Inc.

By: DF
Name: David Finn
Its: Vice President

Section I, Identification, General Information, and Certification
Operating Entity/Licensee

Persons to own a 5% or greater ownership interest in Cowell Dialysis are listed in the table below.

Name	Address	City	State	Ownership Interest
DaVita Inc.	1551 Wewatta Street	Denver	CO	51%
Zoa Associates, Inc. (wholly owned by Ogbonnaya Aneziokoro, M.D.)	655 West Irving Park Road, Apt. 2101	Chicago	IL	27%
Sinai Health System	California Avenue at 15th Street	Chicago	IL	22%

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	$940,600		$940,600
Contingencies	$140,000		$140,000
Architectural/Engineering Fees	$52,800		$52,800
Consulting and Other Fees	$75,000		$75,000
Movable or Other Equipment (not in construction contracts)	$525,708		$525,708
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	$37,363		$37,363
Fair Market Value of Leased Space or Equipment	$1,374,469		$1,374,469
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	**$3,145,940**		**$3,145,940**
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	$487,715		$487,715
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Loan	$1,283,756		$1,283,756
Leases (fair market value)	$1,374,469		$1,374,469
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$3,145,940**		**$3,145,940**
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Section I, Identification, General Information, and Certification
<u>Project Costs and Sources of Funds</u>

Table 1120.110			
Project Cost	**Clinical**	**Non-Clinical**	**Total**
Modernization Contracts	$940,600		$940,600
Contingencies	$140,000		$140,000
Architectural/Engineering Fees	$52,800		$52,800
Consulting and Other Fees	$75,000		$75,000
Moveable and Other Equipment			
Communications	$64,125		$64,125
Water Treatment	$116,930		$116,930
Bio-Medical Equipment	$8,885		$8,885
Clinical Equipment	$250,535		$250,535
Clinical Furniture/Fixtures	$20,179		$20,179
Lounge Furniture/Fixtures	$2,815		$2,815
Storage Furniture/Fixtures	$5,359		$5,359
Business Office Fixtures	$22,925		$22,925
General Furniture/Fixtures	$21,455		$21,455
Signage	$12,500		$12,500
Total Moveable and Other Equipment	$525,708		$525,708
Net Interest Expense During Construction (Project Related)	$37,363		$37,363
Fair Market Value of Leased Space	$1,374,469		$1,374,469
Total Project Costs	**$3,145,940**		**$3,145,940**

Section I, Identification, General Information, and Certification
<u>Cost Space Requirements</u>

Cost Space Table							
		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL							
ESRD	$3,145,940	6,781			6,781		
Total Clinical	**$3,145,940**	6,781	**0**	**0**	6,781	**0**	**0**
NON REVIEWABLE							
Total Non-Reviewable	**$0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**$3,145,940**	6,781	**0**	**0**	6,781	**0**	**0**

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VIII. - 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

$487,715	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_______	b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_______	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
$2,658,225	d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_______	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_______	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_______	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$3,145,940	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Section VIII, Financial Feasibility
Criterion 1120.120 Availability of Funds

The project will be funded with $487,715 in cash and securities, a $1,283,756 loan, and a lease with SDO Development LLC for $1,374,469. A copy of DaVita's 2011 10-K Statement, evidencing sufficient funds to finance the proposed project was previously submitted with the application for Project No. 12-034, the letter of intent to lease the facility is on file for this project and attached is a letter from Blackhawk Bank indicating its interest in providing credit facilities to Cowell Dialysis including the proposed terms.

Blackhawk Bank

Member FDIC • Equal Housing Lender

June 6, 2012

"Cowell Dialysis, LLC"

Chitra Goswami
Director, Finance
DaVita Inc.
1551 Wewatta Street
Denver, CO 80202

Dear Chitra,
This letter confirms our interest in providing credit facilities to **"Cowell Dialysis, LLC"** based on the following structure:

Amount:	$1,283,756
Rate:	30 day LIBOR plus 2.25%
Floor:	4.5%
Fee:	$2,000
Purpose:	To fund de novo dialysis leasehold improvements & start-up working capital
Credit Facility Type:	24 month interest only revolver which automatically converts to a 5-year term loan beginning in month 25; credit facility is for 7 years.
Guarantee Structure:	Pro-rata guarantees:
DVA:	51%
Partners:	Dr. Ogbonnaya Aneziokoro – 27% Sinai Health System – 22%
Covenants:	TBD
Collateral:	Blanket lien on all assets of joint venture
Sources of Repayment:	Cash flow from operations
Secondary:	Guarantor support

Based on our review of your initial proposal, we are willing to extend our intent to provide financing for this project subject to satisfactory completion of the Bank's due diligence.

Nothing contained herein, and no prior or subsequent communication from Blackhawk Bank, whether written or verbal, shall be deemed, or construed, to constitute, or imply, a commitment, or offer, by Blackhawk Bank to make loans; and no such commitment, or offer, shall exist unless, and until, Blackhawk Bank expressly executes a Loan Commitment, or offer.

Sincerely,

Andy Williams

Andy Williams
Vice President, Business Banking
(815) 520-3076

Section IX, Financial Feasibility
Criterion 1120.130 – Financial Viability

Financial viability ratios for the most recent three years are provided in the Table 1120.130 below.

Table 1120.130				
	DVA 2009	**DVA 2010**	**DVA 2011**	**Projected 2015**
Current Ratio	2.2	2.8	2.0	8.2
Net Margin Percentage	7.9%	7.5%	8.2%	15.1%
Percent Debt to Total Capitalization	37%	39%	39%	38%
Projected Debt Service Coverage	3.24	4.96	3.05	10.26
Days Cash on Hand	40 days	60 days	26 days	64 days
Cushion Ratio	2.0	4.7	1.1	6.8

Financial Viability Ratios

	Standard	2009	2010	2011	Estimated 2015
Current Ratio					
Current Assets		$2,302,521	$2,622,854	$2,281,608	$1,185,452
Current Liabilities		$1,046,941	$924,345	$1,153,116	$144,302
Current Ratio	**1.5**	**2.2**	**2.8**	**2.0**	**8.2**
Net Margin Percentage					
Net Income		$479,759	$484,219	$573,395	$529,458
Net Operating Revenues		$6,108,800	$6,447,391	$6,982,214	$3,505,921
Net Margin Percentage	**3.5%**	**7.9%**	**7.5%**	**8.2%**	**15.1%**
Long-Term Debt to Capitalization					
Long-Term Debt		$3,632,224	$4,308,742	$4,504,969	$1,283,756
Equity		$6,053,903	$6,671,147	$7,098,952	$2,066,941
Long-Term Debt to Capitalization	**80%**	**37%**	**39%**	**39%**	**38%**
Projected Debt Service Coverage					
Net Income		$479,759	$484,219	$573,395	$529,458
Depreciation/Amortization		$228,986	$234,378	$266,628	$124,463
Interest Expense		$185,755	$181,607	$241,090	$70,607
Interst Expense and Principal Payments		$275,959	$181,607	$354,852	$70,607
Projected Debt Service Coverage	**1.75**	**3.24**	**4.96**	**3.05**	**10.26**
Days Cash on Hand					
Cash		$539,459	$860,117	$393,752	$481,580
Investments		$0	$0	$0	$0
Board Designated Funds		$0	$0	$0	$0
Operating Expense		$5,168,529	$5,450,364	$5,851,432	$2,851,848
Depreciation		$228,986	$234,378	$266,628	$124,463
Days Cash on Hand	**45 days**	**40**	**60**	**26**	**64**
Cushion Ratio					
Cash		$539,459	$860,117	$393,752	$481,580
Investments		$0	$0	$0	$0
Board Designated Funds		$0	$0	$0	$0
Interest Expense and Principal Payments		$275,959	$181,607	$354,852	$70,607
Cushion Ratio	**3.0**	**2.0**	**4.7**	**1.1**	**6.8**

DaVita®

Skyline Division
Penny Davis, RN, FACHE
Vice President
28160 W. Northwest Highway
Lake Barrington, IL 60010

July 26, 2012

Dale Galassie
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Reasonableness of Financing Arrangements

Dear Chairman Galassie:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code § 1120.140(a) that the total estimated project costs and related costs will be funded, in part, by borrowing because DaVita has been advised by one of the joint venture partners that depleting its cash reserves beyond what is contemplated to fund the project will adversely affect its current ratio.

Sincerely,

Penny Davis

Penny Davis
Division Vice President – Skyline
DaVita Inc.

Subscribed and sworn to me
This 27th day of July, 2012

Tara L. Motley
Notary Public

"OFFICIAL SEAL"
Tara L Motley
Notary Public, State of Illinois
My Commission Expires 6/11/2013

Attachment 42-B

Section X, Economic Feasibility Review Criteria
<u>Criterion 1120.310(e), Total Effect of Project on Capital Costs</u>

Capital Costs:

Interest	$70,607
Depreciation:	$120,121
Amortization:	$4,342
Total Capital Costs:	$195,070

Treatments: 13,728

Capital Costs per Treatment: $14.21

Sinai Health System and Affiliates

Consolidated Financial Report
June 30, 2011

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Sinai Health System
Chicago, Illinois

We have audited the accompanying consolidated balance sheets of Sinai Health System and Affiliates (the Corporation) as of June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 Sinai Health System and Affiliates as of June 30, 2011 and 2010, and the results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Chicago, Illinois
December 12, 2011

Sinai Health System and Affiliates

Consolidated Balance Sheets
June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 10,758	$ 9,154
Assets limited as to use		
Externally designated investments	4,197	4,019
Internally designated investments under self-insurance program	3	250
Patient accounts receivable, less allowances of $36,306 in 2011 and $45,885 in 2010	53,076	49,416
Notes receivable, current portion	8,525	13,457
Other accounts receivable	7,069	8,827
Prepaid expenses, inventories, and other	6,336	8,116
Total current assets	89,964	93,239
Assets Limited as to Use, net of amounts required to meet current liabilities		
Internally designated investments for capital program	15,640	9,116
Externally designated investments under debt agreements	14,057	13,210
Total assets limited as to use	29,697	22,326
Other Assets		
Deferred bond issuance costs, less amortization of $658 in 2011 and $543 in 2010	2,322	2,438
Notes receivable, long-term portion	9,494	5,471
Other investments	169	2,905
Other	9,365	6,717
Total other assets	21,350	17,531
Property and Equipment, net	114,881	112,584
Total assets	$ 255,892	$ 245,680

See Notes to Consolidated Financial Statements.

Sinai Health System and Affiliates

Consolidated Balance Sheets (continued)
June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 49,034	$ 36,702
Accrued salaries and employee benefits	21,941	22,503
Amounts due to third-party payors	4,880	6,203
Self-insurance claims payable	2,003	3,316
Notes payable	2,889	5,648
Current maturities of long-term debt	4,159	4,316
Other current liabilities	7,804	9,465
Total current liabilities	92,710	88,153
Noncurrent Liabilities		
Long-term debt, less current maturities	100,011	100,622
Self-insurance claims payable, less current portion	46,134	44,479
Other	4,414	4,050
Total liabilities	243,269	237,304
Commitments and Contingencies (Notes 10, 14 and 16)		
Net Assets		
Noncontrolling interest in subsidiary	123	22
Unrestricted	4,051	3,500
Temporarily restricted	8,449	4,779
Permanently restricted	-	75
	12,623	8,376
Total liabilities and net assets	$ 255,892	$ 245,680

Sinai Health System and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Unrestricted revenue and other support:		
Net patient service revenue	$ 376,003	$ 373,716
Other revenue	13,870	15,722
Investment income	653	532
Contributions from the Jewish Federation of Metropolitan Chicago	685	854
Grant revenue	17,195	14,230
Net assets released from restrictions	686	827
Total unrestricted revenue and other support	409,092	405,881
Expenses:		
Salaries and wages	209,064	203,387
Supplies and purchased services	77,795	70,178
Depreciation and amortization	12,736	12,796
Provision for bad debts	50,623	57,860
Insurance	9,323	11,860
Interest	5,587	5,788
Provider tax	17,081	17,081
Other	26,254	25,946
Total expenses	408,463	404,896
Income from operations	629	985
Nonoperating (losses) gains:		
Contributions	35	33
Investment income	2,038	1,125
Net change in unrealized gains and losses on investments	(221)	290
Contributions to other organizations	(2,000)	(1,851)
Other	21	22
Net income attributable to noncontrolling interest	(104)	(34)
Total nonoperating (losses) gains	(231)	(415)
Revenue in excess of expenses	$ 398	$ 570

See Notes to Consolidated Financial Statements.

Sinai Health System and Affiliates

Consolidated Statements of Operations and Changes in Net Assets (Continued)
Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Unrestricted net assets:		
Revenue in excess of expenses	$ 398	$ 570
Other increases in unrestricted net assets	188	327
Net assets released from restriction used for capital purposes	66	156
Increase in unrestricted net assets	652	1,053
Temporarily restricted net assets:		
Contributions	4,573	2,468
Net assets released from restriction used in operations	(611)	(827)
Net assets released from restriction used for capital purposes	(66)	(156)
Other changes in temporarily restricted net assets	(226)	-
Increase in temporarily restricted net assets	3,670	1,485
Permanently restricted net assets:		
Net assets released from restriction used in operations	(75)	-
Decrease in permanently restricted net assets	(75)	-
Increase in net assets	4,247	2,538
Net assets, beginning of year	8,376	5,838
Net assets, end of year	$ 12,623	$ 8,376

Sinai Health System and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	$ 4,247	$ 2,538
Change attributable to noncontrolling interest	(101)	(22)
Increase in net assets after change attributable to noncontrolling interest	4,146	2,516
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	12,852	12,920
Provision for self-insurance in excess of (less than) amounts paid	342	(862)
Restricted contributions	(4,573)	(2,468)
Provision for bad debts	50,623	57,860
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(54,283)	(59,195)
Investments	(4,566)	(1,457)
Amounts due to third-party payors, net	(1,323)	1,798
Prepaid expenses, inventories, and other current assets	3,538	(1,279)
Accounts payable, accrued expenses, and other current liabilities	10,109	5,726
Other noncurrent assets and liabilities	(2,183)	(1,406)
Net cash provided by operating activities	14,682	14,153
Cash Flows from Investing Activities		
Purchases of buildings and equipment	(15,033)	(13,264)
Increase (decrease) in notes receivable	909	(1,748)
Net cash used in investing activities	(14,124)	(15,012)
Cash Flows from Financing Activities		
(Repayments) proceeds of notes payable and long-term debt	(3,527)	300
Proceeds from restricted contributions	4,573	2,468
Net cash provided by financing activities	1,046	2,768
Increase in cash and cash equivalents	1,604	1,909
Cash and cash equivalents:		
Beginning of year	9,154	7,245
End of year	$ 10,758	$ 9,154
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	$ 5,656	$ 5,857

See Notes to Consolidated Financial Statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization and basis of consolidation: The consolidated financial statements include the accounts and transactions of Sinai Health System (the Corporation) and its affiliates. The Corporation is the sole corporate member of its affiliates. All significant intercompany transactions and balances have been eliminated in consolidation. The Corporation and its affiliates provide comprehensive health care services to residents of the Chicago metropolitan area.

Affiliates of the Corporation include:

- Mount Sinai Hospital Medical Center of Chicago and Subsidiaries (Mount Sinai) – Mount Sinai is a licensed 431-bed teaching, research, and tertiary-care facility that offers medical, surgical, behavioral health, therapeutic, and diagnostic services to meet the needs of the community and patients of the southwest side of Chicago. Subsidiaries of Mount Sinai include Sinai Community Pharmacy and Sinai Touhy Pharmacy which are wholly owned, and Hawthorne Works Medical Imaging, LLC which is a joint venture in which Mount Sinai has a controlling 51 percent ownership interest.
- Schwab Rehabilitation Hospital & Care Network (Schwab) – Schwab is a licensed 125-bed rehabilitation hospital that offers comprehensive inpatient and outpatient rehabilitation services for adults and children.
- Mount Sinai Community Foundation (SCF) – SCF is a physician group with over 200 physician specialists in more than 36 specialties, such as cardiology, gastroenterology, neurology, oncology, endocrinology, urology, and neurosurgery. SCF's physicians practice at clinics throughout the communities the Corporation serves, as well as at Schwab Rehabilitation Hospital and Mount Sinai.
- Sinai Community Institute (SCI) – SCI is an organization that develops community-based health and social service programs designed to help families within the community improve their health and well-being through education, employment, wellness and nutrition.

A summary of significant accounting policies is as follows:

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the accompanying consolidated financial statements include contractual allowance reserves, allowances for uncollectible accounts and charity care, depreciation and amortization, amounts due to third-party payors, and self insurance claims payable.

Cash and cash equivalents: Cash and cash equivalents include highly liquid short-term investments with maturities of three months or less at the date of acquisition. The carrying value of cash equivalents approximates fair value. Throughout the year, the Corporation may have amounts on deposit with financial institutions in excess of those insured by the FDIC. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Patient accounts receivable: Patient accounts receivable are stated at net realizable value. The Corporation maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payment on accounts. The Corporation estimates the allowance for uncollectible accounts based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage, and other collection indicators. Management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience. After satisfaction of amounts due from insurance, the Corporation follows established guidelines for placing certain past-due balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the Corporation.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Inventories: Inventories are stated at the lower of cost, on the first-in, first-out method, or market.

Assets limited as to use and investments: Assets limited as to use consist of investments set aside by the Board of Directors for future capital improvements and for endowment funds, over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes. Additionally, assets limited as to use include investments held by trustees under debt agreements, self-insurance and employee benefit trust arrangements.

Investments are carried at fair value and all investments in debt securities are reported at fair value based on quoted market prices. The Corporation has designated its investment portfolio as trading, with unrealized gains and losses and investment income, which includes realized gains and losses, included in revenue in excess of expenses unless the income or loss is restricted by donor intent.

Property and equipment: Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets ranging from 3 to 40 years using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the accompanying consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets. No interest was capitalized during the years ended June 30, 2011 and 2010.

Asset impairment: The Corporation considers whether indicators of impairment are present and performs the necessary tests to determine if the carrying value of an asset is appropriate. Impairment write-downs are recognized in operating income at the time the impairment is identified. No impairments were identified during the years ended June 30, 2011 and 2010.

Deferred bond issuance costs: Bond issuance costs are deferred and amortized over the life of the related debt, using a method which approximates the effective interest method.

Self-insurance liabilities: The Corporation's accruals for self-insurance represent the present value of the estimated liability for asserted and unasserted professional malpractice and patient general liability claims. The provision is actuarially determined.

Fair value measurement: The Corporation adopted the provisions of the FASB's guidance related to the nonfinancial assets and nonfinancial liabilities effective July 1, 2009. The adoption of this guidance did not have a material impact on the consolidated financial statements or results of operations of the Corporation.

Noncontrolling interest: Effective July 1, 2010, the Corporation adopted the new measurement and presentation requirements for noncontrolling interests in the consolidated financial statements. As a result of this adoption, the Corporation reclassified its minority interest in joint ventures to noncontrolling interests, included in net assets for the years ended June 30, 2011 and 2010.

Noncontrolling interest represents the portion of net assets in the subsidiaries not attributable, directly or indirectly, to Mount Sinai. The profit or loss derived from the performance of the subsidiary is allocated to the excess of revenue over expenses attributable to the noncontrolling interest in the consolidated statements of operations and changes in net assets.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Net assets: Resources are classified for reporting purposes into three net asset categories as unrestricted, temporarily restricted, and permanently restricted according to the absence or existence of donor-imposed restrictions. Temporarily restricted net assets are those assets, including contributions and accumulated investment returns, whose use has been limited by donors for a specific purpose or time period. Permanently restricted net assets are those for which donors require the principal of the gifts to be maintained in perpetuity and provide a permanent source of income.

Net patient service revenue: The Corporation has agreements with various third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges, per diem rates, and fee schedules. Net patient service revenue is reported at the estimated net amounts received or due from patients, third-party payors, and others for services rendered. These amounts include estimated adjustments under certain reimbursement agreements with third-party payors, which are subject to audit by the applicable administering agency. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined.

Contributions: Contributions are reported as either temporarily or permanently restricted net assets if the contributions are received with donor stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restriction.

Unconditional promises to give cash or other assets are reported as pledges receivable and contributions at fair value at the date the promise is received, within the appropriate net asset class. At June 30, 2011 and 2010, pledges receivable were discounted at 3.0 percent. There was no allowance for uncollectible pledges at June 30, 2011 or 2010.

Grant revenue: Grants are recognized as revenue when earned. Expense driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met.

Charity care: The Corporation provides care to all patients regardless of their ability to pay. Charity care provided by the Corporation is included with no realizable value in net patient service revenue by recording the revenue at gross charges and then a charity care write-off is recorded which offsets the recorded revenue. The amount of charges forgone for charity based on established rates was $80,833 and $70,606 during the years ended June 30, 2011 and 2010, respectively.

Operating indicator: The Corporation's income from operations includes all unrestricted revenue, including investment income on trustee-held investments, other support, and expenses for the reporting period. Nonoperating income includes nonoperating gains and losses, contributions, investment income on board-designated and other investments, contributions to related parties, and other nonoperating activities, which management views as outside of normal patient care related activities.

Revenue in excess of expenses: The consolidated statements of operations and changes in net assets include revenue in excess of expenses. Changes in unrestricted net assets, which are excluded from revenue in excess of expenses consistent with industry practice, include contributions of long-lived assets, including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets.

Reclassifications: Certain amounts in the 2010 consolidated financial statements have been reclassified to conform with the 2011 presentation with no effect on net assets.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Income taxes: The Corporation, Mount Sinai, Schwab, SCF, and SCI are tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and each as required files a Form 990 (Return of Organization Exempt from Income Tax) annually.

The Corporation adopted FASB issued guidance for uncertainty in income taxes. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Examples of tax positions common to health systems include such matters as the following: the tax-exempt status of each entity, the nature, characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the consolidated balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2011 and 2010, there were no unrecognized tax benefits identified and recorded.

Forms 990 filed by the Corporation, Mount Sinai, Schwab, SCF, and SCI are subject to examination by the Internal Revenue Service (IRS) for up to three years from the extended due date of each return. Forms 990 filed by the Corporation, Mount Sinai, Schwab, SCF, and SCI are no longer subject to examination for the years 2007 and prior.

Subsequent events: The Corporation has evaluated subsequent events for potential recognition and/or disclosures through December 12, 2011, the date the consolidated financial statements were issued.

Recent accounting pronouncements: In September 2009, the FASB issued Accounting Standards Update 2009-12, Fair Value Measurements and Disclosures (Topic 820) - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), which, among other things, provides new guidance on valuing and classifying these investments within the fair value hierarchy. As a practical expedient, the Corporation may now measure these investments on the basis of the net asset value per share of the investment (or its equivalent) if it is calculated in a manner consistent within the fair value measurement standards of Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. The adoption of this guidance effective June 30, 2010, did not have a material impact on the Corporation's consolidated financial statements.

Note 2. Financial Condition

The Corporation generated income from operations totaling $629 and $985 for the years ended June 30, 2011 and 2010, respectively. The financial viability of the Corporation is largely dependent on the financial viability of its affiliates, Mount Sinai and Schwab. For the years ended June 30, 2011 and 2010, Mount Sinai's loss from operations totaled $1,845 and $1,431, respectively. For the years ended June 30, 2011 and 2010, Schwab's income from operations totaled $2,474 and $2,416, respectively.

In both fiscal 2011 and 2010, the Corporation's income from operations was impacted by enhanced net patient service revenue. For the years ended June 30, 2011 and 2010, Mount Sinai and Schwab, combined, received additional State of Illinois Department of Public Aid (IDPA) revenue of $40,431. These increases in revenue were partially offset by $17,081 in hospital provider tax assessments for both fiscal 2011 and 2010, and by increases in uncompensated care. This program was renewed and extended for one more year through June 30, 2014. See Note 5 for further information.

The Corporation continues to be pressured by rising costs attributable to clinical labor (including physician, nursing, and certain ancillary staff), new technology, and higher uncompensated care. Additionally, the Corporation and its major affiliate, Mount Sinai, continue to be highly dependent on reimbursement from IDPA. Any future decline in reimbursement, continued significant cost increases, or continued growth in uncompensated care may require management and the Board of Directors to further realign or reduce services to the community.

Note 3. Asset Retirement Obligations

In accordance with FASB issued guidance on, *Accounting for Conditional Asset Retirement Obligations*, the Corporation records all known asset retirement obligations for which the liability's fair value can be reasonably estimated, including certain asbestos removal costs. At June 30, 2011 and 2010, the Corporation had remaining asset retirement obligations of $2,941 and $2,782, respectively, which are recorded as other long-term liabilities in the consolidated balance sheets. The liability was estimated using an inflation rate of 3.44 percent and a discount rate of 6 percent. The asset retirement obligation will continue to accrete until 2016 at which time the Corporation expects to remediate the situation. The liability in 2016 will be approximately $3,433.

Note 4. Contractual Arrangements with Third-Party Payors

The Corporation provides care to certain patients under payment arrangements with Medicare, Medicaid, Blue Cross, and various managed care programs. At Mount Sinai, the Medicare program pays for inpatient, capital costs, and outpatient services at predetermined rates. Medical education costs are reimbursed at interim rates with annual settlements based on reimbursable costs. At Schwab, the Medicare program reimburses both inpatient and outpatient services, including capital costs, at predetermined rates. Medical education costs are reimbursed at interim rates with annual settlements based on reimbursable costs. The Medicaid program pays the Corporation for covered services at predetermined rates. Services provided to inpatients covered by the Blue Cross program are paid at interim rates with monthly settlements based upon predetermined rates. Reported costs and services provided under the reimbursement arrangements with Medicare, Medicaid, and Blue Cross are subject to audit or review by the administering agencies. Changes in the Medicare and Medicaid programs and reduction in funding levels could have an adverse effect on the Corporation.

Note 4. Contractual Agreements with Third-Party Payors (Continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Corporation also has contractual arrangements with various Health Maintenance and Preferred Provider Organizations, the terms of which call for the Corporation to be paid for covered services at negotiated rates.

Provisions have been made in the consolidated financial statements for contractual adjustments, representing the difference between the Corporation's standard charges for services and estimated payments received from payors. Net patient service revenue received under the Medicare and Medicaid reimbursement arrangements with Mount Sinai and Schwab amounted to approximately $244,528 and $232,159 (excluding the hospital tax assessment program revenue discussed in Note 5) in the years ended June 30, 2011 and 2010, respectively. Revenue received under HMO/PPO arrangements amounted to approximately $45,515 and $49,846 in the years ended June 30, 2011 and 2010, respectively. Net patient service revenue increased by $224 in 2011 and $1,302 in 2010, respectively, as a result of third-party settlements and changes in estimates related to prior years.

The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party arrangements. Medicaid accounts receivable account for 56 percent and 53 percent of the Corporation's net accounts receivable at June 30, 2011 and 2010, respectively. Medicare accounts receivable account for 15 percent of the Corporation's net accounts receivable at June 30, 2011 and 2010.

Note 5. Illinois Provider Tax Assessment Program

The Corporation is part of the State of Illinois hospital tax assessment program which is administered by the Illinois Department of Public Aid. The laws and regulations authorizing this Program have been revised and extended for the period July 1, 2008 to June 30, 2014. There is no assurance of the continuation of this program after June 30, 2014. Under this renewed program, the Corporation is to receive annually approximately $40,431 from the State and pay annually a provider tax assessment approximating $17,081. For the years ended June 30, 2011 and 2010, the Corporation has recorded $40,431, in assessment revenue (reported as net patient service revenue) and $17,081, in provider tax expense (reported in other operating expenses). In the past, the State of Illinois has significantly delayed certain payments related to this program as well as collection of the related assessment tax. The payment methodology has switched from annual to monthly payments, and as of June 30, 2011, the State of Illinois has been current in payments and collections related to this program. Although future payments cannot be assured, management believes that the assessment program's obligations will be fulfilled in the next year.

(Dollars in Thousands)

Note 6. Assets Limited as to Use and Investments

Assets limited as to use and investments consist of the following at June 30:

	Fair Value 2011	Fair Value 2010
Investment agreements	$ 6,816	$ 6,819
Cash equivalents - money market funds and mutual funds	1,177	1,231
United States Treasury securities	12,783	9,986
Federation pooled funds	11,191	9,562
Mutual funds invested in equity securities	1,814	1,754
Equities	285	148
	$ 34,066	$ 29,500

Total investment return for the years ended June 30 is as follows:

	2011	2010
Interest and dividend income	$ 2,691	$ 1,657
Net change in unrealized gains and losses on investments	(221)	290
	$ 2,470	$ 1,947
Reported as:		
Operating revenue	$ 653	$ 532
Nonoperating gains	1,817	1,415
	$ 2,470	$ 1,947

Note 7. Property and Equipment

Property and equipment consist of the following at June 30:

	2011	2010
Land and land improvements	$ 6,325	$ 5,576
Building and improvements	180,112	176,733
Equipment	108,010	96,929
Construction in progress	1,785	2,390
	296,232	281,628
Less accumulated depreciation and amortization	(181,351)	(169,044)
	$ 114,881	$ 112,584

(Dollars in Thousands)

Note 8. Long-Term Debt

Long-term debt consists of the following at June 30:

	2011	2010
Illinois Finance Authority Revenue Bonds, Series 2006, 4.80%, fixed rate, these were paid in full in May 2011	$ -	$ 970
Illinois Health Facilities Authority FHA Insured Mortgage Revenue Refunding Bonds, Series 2003, 1.37% to 5.15%, payable in semiannual installments with maturities through 2037	86,840	88,495
Northern Trust Company, term loan, variable rate (0.628% at June 30, 2011) maturing July 2011 subsequently renewed to August 2012	5,684	5,684
Illinois Development Finance Authority Revenue Bonds Series 1997, variable rate (0.20% and 0.36% at June 30, 2011 and 2010, respectively) maturing March 1, 2022	5,000	5,000
Capital lease obligations	6,430	4,572
Other	216	217
	104,170	104,938
Less current maturities	(4,159)	(4,316)
	$ 100,011	$ 100,622

In April 2006, the Illinois Finance Authority issued $7,300 in Illinois Finance Revenue Bonds (Mount Sinai Hospital Medical Center of Chicago), Series 2006. The bonds were issued under the Illinois Finance Authority Act and under and pursuant to a Master Financing Agreement between Mount Sinai Hospital Medical Center of Chicago and GE Capital Public Finance, Inc. They were issued for the purpose of making a loan to Mount Sinai to finance and refinance the costs of acquiring and equipping certain of the health facilities of Mount Sinai. These bonds were paid in full in May 2011.

In December 2003, the Illinois Health Facilities Authority, on behalf of the Corporation, issued $97,505 in Illinois Health Facilities Authority Federal Housing Authority (FHA) Insured Mortgage Revenue Refunding Bonds, Series 2003 (Series 2003 Bonds). The proceeds from the sale of the Series 2003 Bonds were used to pay certain expenses incurred in connection with the issuance of the Series 2003 Bonds, to refund the outstanding principal amount of other bonds, and to add the debt service reserve fund for the benefit of the Series 2003 Bond closing.

Under the terms of a master trust indenture, the Corporation, Mount Sinai, and Schwab form the Obligated Group, $6,640 and $6,650 are held on deposit with a trustee for bond redemption and interest payments at June 30, 2011 and 2010, respectively. Additionally, hospitals insured by the U.S. Department of Housing and Urban Development (HUD) under Section 242 of the National Housing Act are required to fund a Mortgage Reserve Fund. Mount Sinai and Schwab make quarterly deposits to the fund. At June 30, 2011 and 2010, the fund had a balance of $7,417 and $6,560, respectively.

Substantially all of the assets of the Corporation secure the outstanding bonds. The terms of the agreements require quarterly financial reporting measures, as well as audited financial statements to be received by a certain number of days after year-end.

(Dollars in Thousands)

Note 8. Long-Term Debt (Continued)

The agreement requires that an insurance certificate be obtained evidencing that the liability insurance is fully funded. As of June 30, 2011, this insurance certificate was not obtained as the liability insurance is not fully funded. The Corporation worked with HUD and the bond trustees to address the self-insurance trust deficiency and instituted a corrective action plan. The Corporation was not in compliance with this requirement but has obtained notification from the bond trustees that the cure period has been extended indefinitely and that no event of default has occurred so long as the cure period is in effect.

In July 2008, Mount Sinai and SCF's outstanding portion of the Series 2002 bonds were placed in a term loan with the Northern Trust Company in a principal amount of $5,915. This note was reduced to $5,684 in 2010. Under the terms of the agreement, interest is payable monthly, at a rate based on a 30-day LIBOR (0.628 percent at June 30, 2011) plus 100 basis points. The loan matures on August 12, 2012, unless extended. The loan is guaranteed by the Jewish Federation of Metropolitan Chicago (Federation). There are no funds held on deposit with a trustee for the years ended June 30, 2011 and 2010.

During 1997, SCI issued $5,000 in bonds through the Illinois Development Finance Authority. The bonds are guaranteed by the Federation.

Future maturities of long-term debt are as follows:

Year ending June 30:	
2012	$ 4,159
2013	9,356
2014	3,228
2015	2,558
2016	2,179
Thereafter	82,690
	$ 104,170

At June 2011 and 2010, the Corporation had outstanding irrevocable letters of credit, other than the letters of credit related to the Series 1997 and Series 2002 debt disclosed above, totaling $3,434 and $3,004, respectively. No amounts were outstanding under the letters of credit at June 30, 2011 and 2010.

Capital lease obligations relate to certain equipment which Mount Sinai leases under various lease agreements that expire through 2015. The net carrying value of this equipment was $2,060 and $4,433 at June 30, 2011 and 2010, respectively. The Corporation has capital lease obligations outstanding of $6,430 and $4,572 at June 30, 2011 and 2010, respectively.

Future minimum payments under capital lease obligations with initial or remaining terms of one year or more consist of the following at June 30, 2011:

2012	$ 2,701
2013	2,030
2014	1,429
2015	622
2016	140
Total future minimum lease payments	6,922
Less amount representing interest	(492)
Present value of future minimum lease payments	$ 6,430

Note 9. Notes Payable

Mount Sinai has a revolving credit agreement, which allows it to borrow principal amounts up to $4,000, effective until February 28, 2012. Interest on amounts borrowed is at adjusted LIBOR rates (1.67 percent at June 30, 2011); adjusted LIBOR rate is annual LIBOR divided by reserve percentage (reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency liabilities). Mount Sinai had $2,200 and $4,000 outstanding under the credit agreement at June 30, 2011 and 2010, respectively.

During November 2002, Mount Sinai secured a note payable with the Federation that bears interest at the U.S. Treasury rate plus 1 percent. At June 30, 2011 and 2010, $364 and $1,023 was outstanding under this agreement, respectively. The note matures in January 2012.

During May 2001, SCF issued a promissory note to a bank totaling $3,025. The note bears interest at adjusted LIBOR rates. SCF's net patient accounts receivable are pledged as collateral under the note. SCF had outstanding balances under the note of $325 and $625 at June 30, 2011 and 2010, respectively. The note matures in February 2012.

Note 10. Insurance

Effective June 1, 1976, Mount Sinai, and effective July 1, 1985, Schwab, became self-insured for professional malpractice and patient general liability claims and for the costs of claims administration and defense. Effective November 1, 2003, the Corporation does not maintain a commercial excess insurance policy. The Corporation has retained all risk for claims occurring subsequent to this date. The liability for self-insured risks is based on a report of consulting actuaries that is updated annually to reflect the Corporation's actual experience. Obligations for self-insured liabilities were approximately $41,300 and $40,400 as of June 30, 2011 and 2010, respectively. The provision is actuarially determined. The undiscounted amount of these claims was $48,377 and $48,502 at June 30, 2011 and 2010, respectively. The interest rate used to discount these claims was 5.25 and 5.75 percent at June 30, 2011 and 2010, respectively. The claims that are expected to be paid within 12 months are classified as current liabilities in the accompanying consolidated financial statements. Claims expected to be paid after 12 months are classified as noncurrent.

SCF has purchased professional malpractice insurance for employed physicians on a claims-made basis with annual limits of $1,000 per occurrence and $3,000 in the aggregate, per physician. The policy term extends through June 30, 2012.

SCF management is not aware of any factors that would cause insurance expense to vary materially from the amounts provided. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the policy's term, but reported subsequently, may not be insured. Estimated provisions for incurred but not reported claim expenses have been provided for based on SCF's historical claims experience and amounted to approximately $6,800 at June 30, 2011 and 2010. The undiscounted amount of these claims was $7,803 and $7,961 at June 30, 2011 and 2010, respectively. The interest rate used to discount these claims was 5.25 and 5.75 percent at June 30, 2011 and 2010, respectively.

Note 11. Employee Benefit Plans

The Corporation participates in a multi-employer defined-contribution plan covering substantially all full-time employees who have completed one year of service. Matching contributions are based on each participant's contribution. Contributions are based on each participant's salary level. Retirement benefits are funded as accrued through Metropolitan Life Insurance Company (MetLife). A retirement plan for union employees of Mount Sinai Hospital covered by a collective bargaining agreement negotiated with Local 73 SEIUO-HC is also in place.

Schwab has two defined-contribution (money purchase) plans covering substantially all of its full-time employees who have at least two years of continuous service. Contributions are based on each participant's, income level. Insurance annuity contracts are purchased for individuals who retire. Schwab funds the plans costs as accrued.

The Corporation recorded expense of $1,892 and $1,677 for the years ended June 30, 2011 and 2010, respectively, related to these plans.

In addition, SCF has a nonqualified deferred compensation plan as the primary vehicle for a physician retirement savings plan. Participation in the plan is voluntary and is open to all eligible physicians. Plan investments are held by a trustee and are the property of SCF until the funds are withdrawn by a participant. The consolidated balance sheets include plan investments of $990 and $806 at June 30, 2011 and 2010, respectively, reflected as other noncurrent assets. The corresponding obligations of $990 and $806 are reflected as other noncurrent liabilities at June 30, 2011 and 2010, respectively. The plan is funded by the participants.

Note 12. Notes Receivable and Transactions With Other Organizations

Access Community Health Network (Access) is a private community health center organization formerly affiliated with the Corporation. Access and the Corporation collaborate to provide health care services and improve the health of citizens living in the metropolitan Chicago area serviced by the Corporation and Access.

During the years ended June 30, 2011 and 2010, the Corporation provided certain services totaling $7,984 and $8,463, respectively, to Access. Additionally, the Corporation provided contributions to Access totaling $1,700 for the years ended June 30, 2011 and 2010, respectively, primarily for uncompensated care and capital grants. In addition, the Corporation charges Access interest on the amounts due to the Corporation and all amounts owed to the Corporation are documented and supported by underlying contractual agreements. The annual interest rate was 5 percent for the years ended June 30, 2011 and 2010, respectively. Interest income was $1,047 and $1,002 for the years ended June 30, 2011 and 2010, respectively. Amounts due from Access are reported as notes receivable current and long term in the accompanying consolidated balance sheets, and mature at various times, ranging from due upon demand to June 30, 2016.

There were contributions to other organizations of $300 and $151, for the years ended June 30, 2011 and 2010, respectively.

(Dollars in Thousands)

Note 13. Temporarily and Permanently Restricted Net Assets

The Corporation's endowment consists of an endowment development program with donated funds which was established to support Mount Sinai. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment includes permanently and temporarily donor-restricted principal. Income earned on the principal is unrestricted and can be used for general operating expenses and maintenance of Mount Sinai.

On June 30, 2009, the governor of the State of Illinois signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA differs from laws previously in place in a few key areas. It eliminates the historic dollar value rule with respect to endowment fund spending, it updates the prudence standard for the management and investment of charitable funds, and it amends the provisions governing the release and modification of restrictions on charitable funds.

Interpretation of Relevant Law – The Board of Directors of the Corporation has interpreted the Illinois UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purpose of the Corporation and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the Corporation, and;
7) The investment policies of the Corporation.

The Organization's endowment net asset composition by type of fund is as follows for the year ended June 30, 2011 and 2010:

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ 75	$ 75
Board-designated	1,967	-	-	1,967	1,586	-	-	1,586
Total funds	$ 1,967	$ -	$ -	$ 1,967	$ 1,586	$ -	$ 75	$ 1,661

(Dollars in Thousands)

Note 13. Temporarily and Permanently Restricted Net Assets (Continued)

The changes in endowment net assets of the Corporation were as follows for the years ended June 30, 2011 and 2010:

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,586	$ -	$ 75	$ 1,661	$ 1,433	$ -	$ 75	$ 1,508
Other changes:								
Reclassification	75	-	(75)	-	47	-	-	47
Investment return:								
Investment loss	306	-	-	306	106	-	-	106
Endowment net assets, end of year	$ 1,967	$ -	$ -	$ 1,967	$ 1,586	$ -	$ 75	$ 1,661

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Corporation to retain as a fund of perpetual duration. There were no deficiencies in the endowment fund as of June 30, 2011 and 2010.

Return Objectives and Risk Parameters – The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to achieve an annualized long-term average return of nominal percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Corporation does not have a spending policy relating to its endowment; however, there are policies and procedures in place to ensure that expenditures are used to properly support hospital operations.

(Dollars in Thousands)

Note 13. Temporarily and Permanently Restricted Net Assets (Continued)

Temporarily restricted net assets are available for the following purposes at June 30:

	2011	2010
Scholarships	$ 220	$ 163
Research	26	26
Health care services	5,933	2,088
Purchase of property and equipment	2,270	2,502
	$ 8,449	$ 4,779

Permanently restricted net assets at June 30 are summarized below, the income from which is expendable to support:

	2011	2010
Health care services	$ -	$ 75

In 2011, a prior year gift in the amount of $75, previously recorded as permanently restricted, was reclassified as unrestricted by the donor. Accordingly, the asset has been released in the statement of operations.

Net assets were released from donor restrictions by incurring expenditures for the following purposes during the years ended June 30:

	2011	2010
Purchase of property and equipment	$ 66	$ 156
Health care services	686	827
Total net assets released from restriction	$ 752	$ 983

Note 14. Leases

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:	
2012	$ 941
2013	941
2014	221
2015	221
2016	221
Total	$ 2,545

Rental expense under operating leases amounted to $1,223 and $1,500 for the years ended June 30, 2011 and 2010, respectively.

(Dollars in Thousands)

Note 15. Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to this, general and administrative, and fundraising functions are as follows for the years ended June 30:

	2011	2010
Health care services	$ 391,400	$ 388,413
General and administrative	16,432	15,833
Fundraising	631	650
	$ 408,463	$ 404,896

Certain costs have been allocated between health care services and general and administrative costs.

Note 16. Commitments and Contingencies

Litigation – In addition to professional liability claims, the Corporation is involved in litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the Corporation's consolidated financial position, results of operations and cash flows.

Regulatory Environment Including Fraud and Abuse Matters – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries that are expected to have a material adverse effect on the Corporation have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Illinois Hospital Uninsured Patient Discount Act – The provisions of the Hospital Uninsured Patient Discount Act (the Act) became effective April 1, 2009. The Act requires Illinois hospitals to provide certain mandated discounts from charges to the uninsured in Illinois. Charges are to be discounted to no more than 135 percent of cost. Furthermore, a hospital may not collect more than 25 percent of an uninsured family's gross income in any one year.

CMS Recovery Audit Contractor Program – Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states by 2010. CMS rolled out this program nationally, in Illinois during the fiscal year ended June 30, 2010. At June 30, 2011, the Corporation recorded a liability for estimated amounts that will be repaid under the RAC program based on the Corporation's RAC program experience to date.

Note 16. Commitments and Contingencies (Continued)

Medicare and Medicaid Reimbursement: The Governor of Illinois recently signed into law the budget for the State's fiscal year ending June 30, 2012, which reduces Medicaid appropriations to hospitals in the upcoming year. These reductions are expected to delay Medicaid payments into the State's fiscal year 2013 and the potential to cut spending in the upcoming year. For non-expedited hospitals, payments based on claims will be held for the first 160 days of the State fiscal year, whereas, for expedited hospitals such as Mount Sinai and Schwab, payments will be based on a twelve day cycle beginning in August based on their claims. In addition to delayed Medicaid payments, deep cuts to both the Medicare and Medicaid programs are under consideration by the U.S. Congress as it looks to cut federal spending. Such cuts in Medicaid and Medicare reimbursement, if enacted, could have a significant adverse effect on the Corporation's consolidated financial statements.

Patient Protection and Affordable Care and Reconciliation Act: On March 23, 2010, President Barack Obama signed into law the most sweeping health care reform legislation since the advent of Medicare. The law promises to expand insurance coverage to an additional 32 million Americans, reduce the growth of Medicare expenditures, dramatically reform insurance markets, and continue the march toward value-based payment. The Reconciliation Act amends various provisions of the Patient Protection and Affordable Care Act and adds some new provisions that were not included originally.

Construction in Progress – Construction in progress as of June 30, 2011, consists primarily of costs related to the expansion of the third floor of the Sinai Community Institute Building for the movement of the clinics out of the Kling Building. The estimated cost to complete the project is approximately $3,500 at June 30, 2011.

Note 17. Fair Value Disclosures

Fair value is 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. In determining fair value, the Corporation uses various methods including market, income and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

(Dollars in Thousands)

Note 17. Fair Value Disclosures (Continued)

For the fiscal year ended June 30, 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Fair Value on a Recurring Basis – The tables below present the balances of assets and liabilities measured at fair value on a recurring basis, as of June 30, 2011 and 2010.

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Investment agreements	$ 6,816	$ -	$ -	$ 6,816
Cash equivalents - money market funds and mutual funds	1,177	-	-	1,177
United States Treasury securities	12,783	-	-	12,783
Federation pooled funds		-	11,191	11,191
Mutual funds invested in equity securities	1,814	-	-	1,814
Equities	285	-	-	285
	$ 22,875	$ -	$ 11,191	$ 34,066

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Investment agreements	$ 6,820	$ -	$ -	$ 6,820
Cash equivalents - money market funds mutual funds	1,232	-	-	1,232
United States Treasury securities	9,984	-	-	9,984
Federation pooled funds	-	-	9,562	9,562
Mutual funds invested in equity securities	78	-	-	78
Equities	1,824	-	-	1,824
	$ 19,938	$ -	$ 9,562	$ 29,500

Investment agreements consist primarily of guaranteed investment contracts.

Investments – The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The Corporation invests in a pooled fund maintained by the Federation. The Federation's pooled fund is comprised of various types of investments including: mutual funds, equity and debt securities, alternative investments and other investment vehicles. The Corporation owns only a portion of the Federation's pooled fund; the Corporation does not own or have any interest in the underlying investments. As an outside investor in the portfolio, the Corporation has the ability to withdraw funds from its account on the first day of any calendar quarter. Withdrawal requests are required to be submitted to Federation in writing at least five days prior to quarter-end and withdrawals representing 25 percent or more of an investor's assets are paid in two installments.

(Dollars in Thousands)

Note 17. Fair Value Disclosures (Continued)

Alternative investments and other investment vehicles are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of year-end, as determined by the Federation. In determining fair value, the Federation utilizes valuations and other information provided by fund managers or the general partners of investment partnerships. The underlying investment funds value securities and other financial instruments substantially on a mark-to-market or fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds are determined by the investment manager or sponsor of the respective fund. The fair value of the Federation's alternative investments generally represents the amount expected to be received if the Federation were to liquidate its alternative investments, excluding any redemption charges that may apply.

Accordingly, the estimated fair values of the alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

The Corporation currently invests a significant amount of funds in the pooled funds of the Federation. In the event the Federation does not fulfill its obligations, the Corporation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Federation attempts to minimize this credit risk by monitoring the creditworthiness of its counterparties.

The following table presents a reconciliation of activity for the Level 3 financial instruments:

	2011 Federation	2010 Federation
Balance, July 1	$ 9,562	$ 8,740
Total net losses included in:		
Revenue in excess of expenses	2,077	1,238
Sale of investment securities	(448)	(416)
Balance, June 30	$ 11,191	$ 9,562

Gains and losses above relate to assets still held at June 30, 2011 and 2010, and are recorded on the consolidated statement of operations and changes in net assets for the years ended June 30, 2011 and 2010, as follows:

	2011	2010
Investment income-operating	$ 75	$ (133)
Net change in unrealized gains and losses on investments	2,002	1,371
	$ 2,077	$ 1,238

The Corporation, as an investor in the Federation pooled funds, enters into transactions with a variety of securities and derivative financial instruments, including exchange-traded future and options contracts. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the consolidated balance sheets.

(Dollars in Thousands)

Note 17. Fair Value Disclosures (Continued)

As of June 30, 2011 and 2010, the pooled funds of the Federation were invested as follows:

	2011 Percentage of Total Pooled Fund	2010 Percentage of Total Pooled Fund
Federation Hierarchy Level 1		
Money market funds	2 %	2 %
Mutual funds and other investment vehicles		
Domestic equity - large capitalization	13	11
Domestic equity - small capitalization	7	8
International equity	17	16
Fixed income - domestic	8	8
Fixed income - international	5	5
Total Percentage Federation Hierarchy Level 1	52 %	50 %
Federation Hierarchy Level 2		
State of Israel bonds	1 %	1 %
Total Percentage Federation Hierarchy Level 2	1 %	1 %
Federation Hierarchy Level 3		
Alternative investments		
Absolute return hedge funds	19 %	21 %
Real asset funds (real estate, energy and natural resources)	15	14
Private equity and fund-of-funds	13	14
Total Percentage Federation Hierarchy Level 3	47 %	49 %

Fair Value of Financial Instruments – The following methods and assumptions were used by the Corporation to estimate the fair value of other financial instruments not detailed above.

The carrying values of cash and cash equivalents, patient accounts receivable, other accounts receivable, accounts payable and accrued expenses, and amounts due to third-party payors are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

The fair value of the long-term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to market participants for debt of the same remaining maturities. The approximate fair value of outstanding debt and notes payable at June 30, 2011 and 2010, was $107,000 and $109,000, respectively.

Note 18. Pending Adoption of New Accounting Principles

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-23, *Health Care Entities (Topic 954) - Measuring Charity Care for Disclosure.* ASU 2010-23 requires disclosure of charity care based on the health care provider's direct and indirect costs of providing charity care services, the method used to identify or estimate such costs, and funds received to offset or subsidize charity services provided. The disclosures required by ASU 2010-23 are effective for fiscal years beginning after December 15, 2010, and must be applied retrospectively. The Corporation is assessing the impact of the implementation of ASU 2010-23 on the disclosures in its financial statements.

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954) - Presentation of Insurance Claims and Related Insurance Recoveries.* ASU 2010-24 clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, ASU 2010-24 provides that the amount of the claims liability should be determined without consideration of insurance recoveries. The provisions of ASU 2010-24 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Entities must apply the provisions of ASU 2010-24 by recording a cumulative-effect adjustment to opening retained earnings (or unrestricted net assets) as of the beginning of the period of adoption. Retrospective application of the provisions ASU 2010-24 is permitted. The Corporation is assessing the impact of the implementation of ASU 2010-24 on its financial statements.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954) – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities.* ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay, to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, ASU 2011-07 requires those health care entities to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts, disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

For entities such as the Corporation, the provisions of ASU 2011-07 are effective for the first annual period beginning after December 15, 2011, and interim and annual periods thereafter, with early adoption permitted. The changes to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The disclosures required by ASU 2011-07 should be provided for the period of adoption and subsequent reporting periods. The Corporation is assessing the impact of the implementation of ASU 2011-07 on its financial statements.

In September 2011, the FASB issued ASU 2011-09, *Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan.* ASU 2011-09 addresses concerns about the lack of transparency in an employer's financial statements about its participation in a multiemployer pension plan. This ASU requires employers to provide additional separate disclosures about their participation in multiemployer pension plans and multiemployer benefit plans. The amendments do not change the current recognition and measurement guidance for an employer's participation in a multiemployer plan, which requires that an employer recognize as pension or other postretirement benefit cost its required contribution to the plan for the period and recognize a liability for any unpaid contribution. Also, the amendments do not change the requirement that an employer apply the provisions for contingencies in FASB Accounting Standards Codification Topic 450, *Contingencies*, if an obligation due to withdrawal from a multiemployer plan is either probable or reasonably possible.

The enhanced disclosures are required in fiscal years ending after December 15, 2011. The Corporation is assessing the impact of ASU 2011-09 on its financial statements.

McGladrey

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Sinai Health System
Chicago, Illinois

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements for the years ended June 30, 2011 and 2010 taken as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating and other supplementary information for the years ended June 30, 2011 and 2010, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic 2011 and 2010 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2011 and 2010 consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Chicago, Illinois
December 12, 2011

Sinai Health System and Affiliates

Details of Consolidated Balance Sheet
June 30, 2011
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ 347	$ 8,827	$ 894	$ 439	$ 251	$ -	$ 10,758
Assets limited as to use							
Externally designated investments	-	3,448	749	-	-	-	4,197
Internally designated investments under			-				
self-insurance program	-	3	-	-	-	-	3
Patient accounts receivable, less allowances	-	33,378	5,133	14,565	-	-	53,076
Due from affiliates	-	-	51,048	-	-	(51,048)	-
Notes receivable, current portion	3,949	3,314	416	770	76	-	8,525
Other accounts receivable	514	3,862	210	1,151	1,332	-	7,069
Prepaid expenses, inventories, and other	46	5,373	778	23	116	-	6,336
Total current assets	4,856	58,205	59,228	16,948	1,775	(51,048)	89,964
Assets Limited as to Use, net of amounts required to meet current liabilities							
Internally designated investments for capital program	-	11,955	3,685	-	-	-	15,640
Externally designated investments under debt agreements	-	11,345	2,712	-	-	-	14,057
Total assets limited as to use	-	23,300	6,397	-	-	-	29,697
Other Assets							
Deferred bond issuance costs, less amortization	-	1,672	619	-	31	-	2,322
Notes receivable, long-term portion	-	3,868	-	5,626	-	-	9,494
Other investments	-	-	169	-	-	-	169
Other	5,271	1,876	(88)	2,306	-	-	9,365
Total other assets	5,271	7,416	700	7,932	31	-	21,350
Property and Equipment, net	7,807	80,885	18,782	2,011	5,396	-	114,881
Total assets	$ 17,934	$ 169,806	$ 85,107	$ 26,891	$ 7,202	$ (51,048)	$ 255,892

Details of Consolidated Balance Sheet (Continued)
June 30, 2011
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Accounts payable and accrued expenses	$ 1,114	$ 43,926	$ 1,663	$ 2,033	$ 298	$ -	$ 49,034
Accrued salaries and employee benefits	1,143	12,160	3,483	4,736	419	-	21,941
Amounts due to third-party payors	-	3,090	1,434	356	-	-	4,880
Due to affiliates	5,257	2,344	-	184,367	12,933	(204,901)	-
Self-insurance claims payable	-	1,327	442	234	-	-	2,003
Notes payable	-	2,564	-	325	-	-	2,889
Current maturities of long-term debt	426	2,996	426	311	-	-	4,159
Other current liabilities	1,249	4,282	132	1,726	415	-	7,804
Total current liabilities	9,189	72,689	7,580	194,088	14,065	(204,901)	92,710
Noncurrent Liabilities							
Long-term debt, less current maturities	414	72,651	20,572	1,374	5,000	-	100,011
Self-insurance claims payable, less current portion	-	36,825	2,751	6,558	-	-	46,134
Due to affiliates	-	132	-	-	-	(132)	-
Other	386	2,459	579	990	-	-	4,414
Total liabilities	9,989	184,756	31,482	203,010	19,065	(205,033)	243,269
Net Assets (Deficit)							
Noncontrolling interest in subsidiary	-	123	-	-	-	-	123
Unrestricted	427	(15,588)	53,257	(176,167)	(11,863)	153,985	4,051
Temporarily restricted	7,518	515	368	48	-	-	8,449
	7,945	(14,950)	53,625	(176,119)	(11,863)	153,985	12,623
Total liabilities and net assets (deficit)	$ 17,934	$ 169,806	$ 85,107	$ 26,891	$ 7,202	$ (51,048)	$ 255,892

Sinai Health System and Affiliates

Details of Consolidated Schedule of Operations
Year Ended June 30, 2011
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Unrestricted revenue and other support:							
Net patient service revenue	$ -	$ 291,902	$ 43,028	$ 41,073	$ -	$ -	$ 376,003
Other revenue	25,238	9,311	756	19,199	1,041	(41,675)	13,870
Investment income	-	477	150	26	-	-	653
Contributions from the Jewish Federation of Metropolitan Chicago	-	685	-	-	-	-	685
Grant revenue	2,804	5,607	382	343	8,059	-	17,195
Net assets released from restrictions	185	391	83	14	13	-	686
Total unrestricted revenue and other support	28,227	308,373	44,399	60,655	9,113	(41,675)	409,092
Expenses:							
Salaries and wages	14,145	121,998	24,843	58,960	4,635	(15,517)	209,064
Supplies and purchased services	6,967	75,867	7,898	4,080	4,096	(21,113)	77,795
Depreciation and amortization	1,882	8,982	1,242	412	218	-	12,736
Provision for bad debts	-	58,727	1,640	11,626	133	(21,503)	50,623
Insurance	-	5,264	(390)	4,437	12	-	9,323
Interest	46	5,130	1,197	19	50	(855)	5,587
Provider tax	-	13,938	3,143	-	-	-	17,081
Other	5,190	20,312	2,352	2,406	1,039	(5,045)	26,254
Total expenses	28,230	310,218	41,925	81,940	10,183	(64,033)	408,463
Income (loss) from operations	(3)	(1,845)	2,474	(21,285)	(1,070)	22,358	629
Nonoperating (losses) gains:							
Contributions	4	30	-	-	1	-	35
Investment income	-	1,377	465	196	-	-	2,038
Net change in unrealized gains and (losses) on investments	-	(194)	(27)	-	-	-	(221)
Contributions to other organizations		(2,000)	-	-	-	-	(2,000)
Affiliate interest income	-	-	855	-	-	(855)	-
Other	-	21	-	-	-	-	21
Net income attributable to noncontrolling interest	-	(104)	-	-	-	-	(104)
Total nonoperating (losses) gain	4	(870)	1,293	196	1	(855)	(231)
Revenue in excess of (less than) expenses	$ 1	$ (2,715)	$ 3,767	$ (21,089)	$ (1,069)	$ 21,503	398

Sinai Health System and Affiliates

Details of Consolidated Balance Sheet
June 30, 2010
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ 349	$ 6,477	$ 1,195	$ 1,010	$ 123	$ -	$ 9,154
Assets limited as to use							
Externally designated investments		3,271	748	-	-	-	4,019
Internally designated investments under self-insurance program	-	217	33	-	-	-	250
Patient accounts receivable, less allowances for uncollectible accounts	-	33,354	5,609	10,453	-	-	49,416
Due from affiliates	-	-	47,758	-	-	(47,758)	-
Notes receivable, current portion	4,738	1,833	416	6,394	76	-	13,457
Other accounts receivable	765	4,645	261	1,436	1,720	-	8,827
Prepaid expenses, inventories, and other		6,977	928	176	35	-	8,116
Total current assets	5,852	56,774	56,948	19,469	1,954	(47,758)	93,239
Assets Limited as to Use, net of amounts required to meet current liabilities							
Internally designated investments for capital program	-	8,839	277	-	-	-	9,116
Externally designated investments under debt agreements	-	10,512	2,698	-	-	-	13,210
Total assets limited as to use	-	19,351	2,975	-	-	-	22,326
Other Assets							
Deferred bond issuance costs, less amortization	-	1,760	644	-	34	-	2,438
Notes receivable, long-term portion	-	5,471	-	-	-	-	5,471
Other investments	-	-	2,905	-	-	-	2,905
Other	2,486	1,888	129	2,183	31	-	6,717
Total other assets	2,486	9,119	3,678	2,183	65	-	17,531
Property and Equipment, net	7,107	78,483	19,622	2,177	5,195	-	112,584
Total assets	$ 15,445	$ 163,727	$ 83,223	$ 23,829	$ 7,214	$ (47,758)	$ 245,680

Sinai Health System and Affiliates

Details of Consolidated Balance Sheet (Continued)
June 30, 2010
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Accounts payable and accrued expenses	$ 882	$ 31,825	$ 1,381	$ 2,503	$ 111	$ -	$ 36,702
Accrued salaries and employee benefits	1,079	13,451	3,212	4,380	381	-	22,503
Amounts due to third-party payors	-	4,011	2,192	-	-	-	6,203
Due to affiliates	7,567	1,384	-	159,893	12,359	(181,203)	-
Self-insurance claims payable	-	2,717	393	206	-	-	3,316
Notes payable	-	5,023	-	625	-	-	5,648
Current maturities of long-term debt	426	3,168	413	309	-	-	4,316
Other current liabilities	881	5,892	691	1,854	147	-	9,465
Total current liabilities	10,835	67,471	8,282	169,770	12,998	(181,203)	88,153
Noncurrent Liabilities							
Long-term debt, less current maturities	440	72,497	20,998	1,687	5,000	-	100,622
Self-insurance claims payable,							-
less current portion	-	34,455	3,437	6,587	-		44,479
Due to affiliates	-	224	-	-	-	(224)	-
Other	284	2,409	552	805	-	-	4,050
Total liabilities	11,559	177,056	33,269	178,849	17,998	(181,427)	237,304
Net Assets (Deficit)							
Noncontrolling interest in subsidiary	-	22	-	-	-	-	22
Unrestricted	427	(14,215)	49,491	(155,078)	(10,794)	133,669	3,500
Temporarily restricted	3,459	789	463	58	10	-	4,779
Permanently restricted	-	75	-	-	-	-	75
	3,886	(13,329)	49,954	(155,020)	(10,784)	133,669	8,376
Total liabilities and net assets (deficit)	$ 15,445	$ 163,727	$ 83,223	$ 23,829	$ 7,214	$ (47,758)	$ 245,680

Sinai Health System and Affiliates

Details of Consolidated Schedule of Operations
Year Ended June 30, 2010
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Unrestricted revenue and other support:							
Net patient service revenue	$ -	$ 295,607	$ 41,718	$ 36,391	$ -	$ -	$ 373,716
Other revenue	20,943	9,241	1,646	19,573	785	(36,466)	15,722
Investment income	-	384	136	12	-	-	532
Contributions from the Jewish Federation of Metropolitan Chicago	-	854	-	-	-	-	854
Grant revenue	3,224	5,894	308	-	4,804	-	14,230
Net assets released from restrictions	10	656	93	68	-	-	827
Total unrestricted revenue and other support	24,177	312,636	43,901	56,044	5,589	(36,466)	405,881
Expenses:							
Salaries and wages	14,052	120,352	23,983	55,870	4,300	(15,170)	203,387
Supplies and purchased services	3,061	70,262	7,781	3,577	1,284	(15,787)	70,178
Depreciation and amortization	2,114	8,868	1,283	293	238	-	12,796
Provision for bad debts	-	68,193	1,570	9,764	220	(21,887)	57,860
Insurance	-	6,457	362	5,028	13	-	11,860
Interest	54	5,232	1,225	75	57	(855)	5,788
Provider tax	-	13,938	3,143	-	-	-	17,081
Other	4,827	20,765	2,138	2,159	711	(4,654)	25,946
Total expenses	24,108	314,067	41,485	76,766	6,823	(58,353)	404,896
Income (loss) from operations	69	(1,431)	2,416	(20,722)	(1,234)	21,887	985
Nonoperating gains (losses):							
Contributions	-	33	(3)	-	3	-	33
Investment income	-	747	256	122	-	-	1,125
Net change in unrealized gains and losses on investments	-	254	36	-	-	-	290
Contributions to related party	-	(1,851)	-	-	-	-	(1,851)
Affiliate interest income	-	-	-	-	-	-	-
Other	-	22	-	-	-	-	22
Net income attributable to noncontrolling interest	-	(34)	-	-	-	-	(34)
	-	(829)	289	122	3	-	(415)
Revenue in excess of (less than) expenses	$ 69	$ (2,260)	$ 2,705	$ (20,600)	$ (1,231)	$ 21,887	570

Sinai Health System and Affiliates

Schedule of Charity Care and Community Benefits
Years Ended June 30, 2011 and 2010
(Dollars in Thousands) - Unaudited

The Corporation provides care to patients who meet certain criteria under its free care policy without charge or at amounts less than its established rates. Since the Corporation does not pursue collection of these amounts, they are not reported as revenue.

The amount of charges forgone for services and supplies furnished under the Corporation's free care policy totaled $80,833 and $70,606 during the years ended June 30, 2011 and 2010, respectively.

In addition, the Corporation is involved in many unsponsored community benefits. Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs, not provided for marketing purposes and that meet at least one of the following criteria: (1) generate a low or negative margin, (2) respond to the needs of special populations, (3) supply services or programs that would likely be discontinued, or would need to be provided by another not-for-profit or government provider if the decision was made on a purely financial basis, (4) respond to public health needs, and/or (5) involve education or research that improves overall community health.

Benefits for the poor include services provided to persons who are economically poor or are medically indigent and cannot afford to pay for health care services because they have inadequate resources and/or are uninsured or underinsured.

Benefits for the broader community refer to persons in the general community, beyond and including those in target populations. Most services for the broader community are aimed at improving the health and welfare of the overall community.

Traditional charity care is free or discounted health services provided to persons who cannot afford to pay and who meet the Corporation's criteria for financial assistance.

The following is a summary of the Corporation's community benefits for the years ended June 30, 2011 and 2010, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with the Community Benefits Act (Public Act 93-480):

Sinai Health System and Affiliates

Schedule of Charity Care and Community Benefits (Continued)
Years Ended June 30, 2011 and 2010
(Dollars in Thousands) - Unaudited

	2011 Total Community Benefit	% of Total Expenses	2010 Total Community Benefit	% of Total Expenses
Benefits for the poor, at cost				
Traditional charity care	$ 20,560	5.0 %	$ 18,270	4.5 %
Community services:				
Community health services	1,843	0.5	1,545	0.4
Health professions education	2,207	0.5	2,216	0.5
Subsidized health services	21,154	5.2	19,730	4.9
Research	107	0.0	104	0.0
Grants and donations	2,000	0.5	1,851	0.5
Community benefit operations	31	0.0	24	0.0
Total community services for the poor	27,342	6.7	25,470	6.3
Total benefits for the poor	47,902	11.7	43,740	10.8
Benefits for the broader community, at cost				
Community services:				
Community health services	2,432	0.6	2,237	0.6
Health professions education	2,913	0.7	3,209	0.8
Subsidized health services	469	0.1	-	0.0
Research	141	0.0	151	0.0
Community benefit operations	41	0.0	35	0.0
Total benefits for the broader community	5,996	1.4	5,632	1.4
Total community benefits	53,898	13.1	49,372	12.2
Bad debt expense	38,997	9.5	48,096	11.9
Total community benefits including bad debt expense	$ 92,895	22.6 %	$ 97,468	24.1 %