Consolidated Financial Statements and Supplemental Information

Indiana University Health Bloomington and Affiliates
Years Ended December 31, 2011 and 2010
With Reports of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

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Consolidated Financial Statements and
Supplemental Information

Years Ended December 31, 2011 and 2010

Contents

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Report of Independent Auditors

The Board of Directors
Indiana University Health Bloomington and Affiliates

We have audited the accompanying consolidated balance sheets of Indiana University Health Bloomington and Affiliates (IU Health Bloomington) as of December 31, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of IU Health Bloomington'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of IU Health Bloomington's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IU Health Bloomington's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Indiana University Health Bloomington and Affiliates at December 31, 2011 and 2010, and the consolidated results of their operations and changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

April 24, 2012

Indiana University Health Bloomington and Affiliates

Consolidated Balance Sheets
(Thousands of Dollars)

	December 31	
	2011	**2010**
Assets		
Current assets:		
Cash and cash equivalents	**$ 69,547**	$ 55,672
Patient accounts receivable, less allowance for uncollectible accounts of $19,704 and $14,767 at 2011 and 2010, respectively	**44,202**	41,903
Prepaid expenses	**11,892**	9,888
Inventories	**6,051**	5,636
Current portion of trustee-held funds	**116**	4,428
Total current assets	**131,808**	117,527
Assets limited as to use:		
Board-designated and trustee held investment funds	**102,810**	99,701
Property and equipment:		
Cost of property and equipment in service	**374,597**	358,860
Less accumulated depreciation	**(247,527)**	(229,586)
	127,070	129,274
Construction-in-progress	**5,270**	2,149
Total property and equipment, net	**132,340**	131,423
Other assets:		
Equity interest in unconsolidated subsidiaries	**2,448**	2,318
Interest in net assets of foundation	**3,572**	4,314
Unamortized bond issuance costs	**–**	715
Other	**4,871**	2,889
Total other assets	**10,891**	10,236
Total assets	**$ 377,849**	$ 358,887

	December 31	
	2011	**2010**
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 9,278**	$ 9,870
Accrued salaries, wages, and related liabilities	**27,135**	26,092
Estimated third-party payor allowances	**7,548**	5,434
Current portion of long-term debt including note payable to Indiana University Health (IUH)	**2,360**	8,123
Total current liabilities	**46,321**	49,519
Noncurrent liabilities:		
Long-term debt, including note payable to IUH, less current portion	**46,903**	50,883
Accrued pension obligations	**24,404**	10,339
Accrued medical malpractice claims	**158**	1,809
Other	**216**	216
Total noncurrent liabilities	**71,681**	63,247
Total liabilities	**118,002**	112,766
Net assets:		
Indiana University Health Bloomington	**254,078**	241,648
Noncontrolling interest in affiliates	**2,198**	160
Total unrestricted	**256,276**	241,808
Temporarily restricted	**2,937**	3,679
Permanently restricted	**634**	634
Total net assets	**259,847**	246,121
Total liabilities and net assets	**$ 377,849**	$ 358,887

See accompanying notes.

Indiana University Health Bloomington and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
(Thousands of Dollars)

	Year Ended December 31	
	2011	**2010**
Revenues:		
Net patient service revenue	**$ 381,049**	$ 348,921
Other revenue	**10,577**	10,437
Total operating revenues	**391,626**	359,358
Expenses:		
Salaries, wages, and benefits	**197,074**	181,308
Supplies, drugs, purchased services, and other	**118,741**	110,780
Depreciation and amortization	**18,792**	18,470
Provision for uncollected patient accounts	**28,118**	27,842
Interest	**2,685**	2,916
Total operating expenses	**365,410**	341,316
Operating income	**26,216**	18,042
Nonoperating income (losses):		
Loss on debt refinancing	**(951)**	–
Investment (loss) income, net	**(2,871)**	12,182
Total nonoperating (loss) income	**(3,822)**	12,182
Excess of revenues over expenses	**22,394**	30,224
Less amounts attributed to noncontrolling interest in subsidiaries	**12**	–
Excess of revenues over expenses attributed to IU Health Bloomington	**22,382**	**30,224**

Continued on next page.

Indiana University Health Bloomington and Affiliates

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Thousands of Dollars)

	December 31 2011			December 31 2010		
	Total	**Controlling**	**Noncontrolling**	**Total**	**Controlling**	**Noncontrolling**
Unrestricted net assets:						
Excess of revenues over expenses	**$ 22,394**	**$ 22,382**	**$ 12**	$ 30,224	$ 30,224	$ –
Change in pension obligations	**(13,272)**	**(13,272)**	**–**	1,204	1,204	–
Foundation contributions for capital expenditures	**3,320**	**3,320**	**–**	197	197	–
Investment by noncontrolling interest	**376**	**–**	**376**	–	–	–
Other	**1,650**	**–**	**1,650**	160	–	160
Increase in unrestricted net assets	**14,468**	**12,430**	**2,038**	31,785	31,625	160
Temporarily restricted net assets:						
Change in beneficial interest in net assets of foundation	**(742)**	**(742)**	**–**	205	205	–
Decrease in temporarily restricted net assets	**(742)**	**(742)**	**–**	205	205	–
Permanently restricted net assets:						
Change in permanently restricted net assets held by foundation	**–**	**–**	**–**	–	–	–
Increase in permanently restricted net assets	**–**	**–**	**–**	–	–	–
Increase in net assets	**13,726**	**11,688**	**2,038**	31,990	31,830	160
Net assets at beginning of year	**246,121**	**245,961**	**160**	214,131	214,131	–
Net assets at end of year	**$ 259,847**	**$ 257,649**	**$ 2,198**	$ 246,121	$ 245,961	$ 160

See accompanying notes.

Indiana University Health Bloomington and Affiliates

Consolidated Statements of Cash Flows
(Thousands of Dollars)

	Year Ended December 31	
	2011	**2010**
Operating activities		
Increase in net assets	**$ 13,726**	$ 31,990
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in accrued pension obligation	**14,065**	(1,204)
Income from unconsolidated subsidiaries	**(1,780)**	(1,437)
Provision for uncollected patient accounts	**28,118**	27,842
Depreciation and amortization	**18,792**	18,470
Change of interest in net assets of foundation and foundation contributions for capital expenditures	**(2,578)**	(402)
Trading securities	**1,203**	(17,116)
Loss on extinguishment of debt	**951**	–
Other	**(2,026)**	(136)
Net changes in operating assets and liabilities:		
Patient accounts receivable	**(30,417)**	(31,200)
Prepaid expenses, inventories, and other assets	**(2,751)**	313
Accounts payable, accrued expenses, and other liabilities	**(2,243)**	1,847
Accrued salaries, wages, and related liabilities	**1,043**	5,046
Estimated third-party payor allowances	**2,114**	494
Net cash provided by operating activities	**38,217**	34,507
Investing activities		
Purchase of property and equipment, net of disposals	**(19,606)**	(9,826)
Distribution from unconsolidated subsidiary	**1,650**	–
Other	–	(2,123)
Net cash used in investing activities	**(17,956)**	(11,949)
Financing activities		
Foundation contributions for capital expenditures	**3,320**	197
Repayments of long-term debt, net of discount	**(45,647)**	(9,722)
Borrowing from Indiana University Health including premium of 1,265	**35,565**	–
Investment by noncontrolling interest	**376**	–
Net cash used in financing activities	**(6,386)**	(9,525)
Increase in cash and cash equivalents	**13,875**	13,033
Cash and cash equivalents at beginning of year	**55,672**	42,639
Cash and cash equivalents at end of year	**$ 69,547**	$ 55,672

See accompanying notes.

1. Organization and Nature of Operations

Name Change

On July 5, 2011, Bloomington Hospital, Inc. filed a Certificate of Amendment with the Office of the Secretary of the State of Indiana to legally change its name to Indiana University Health Bloomington, Inc. (Indiana University Health Bloomington). The change became legally effective on October 1, 2011. No change in the corporate structure, management, or governance was made as a result of this name change.

Organization

The consolidated financial statements of Indiana University Health Bloomington and Affiliates (IU Health Bloomington) include Indiana University Health Bloomington (IUHB), a not-for-profit corporation; Indiana University Health Southern Indiana Physicians (IUHSIP), a wholly owned for-profit group of medical practices; Indiana University Health Paoli (IUHP), a not-for-profit corporation whose sole member is IUHB; HealthLINC (HL), a not-for-profit corporation whose sole member is IUHB; and the Bloomington Endoscopy Center (BEC), a for-profit joint venture between IUHB and Premier Healthcare in which IUHB acquired a 51% interest on December 31, 2010.

IUHB and IUHP are general acute care hospital facilities providing inpatient and outpatient services to citizens of Bloomington, Indiana; Paoli, Indiana; and the surrounding communities through acute care and specialty care facilities. IUHSIP provides physician services to citizens of Bloomington, Indiana, and the surrounding communities. HL is a health information exchange organized to coordinate and facilitate the sharing of health information among various community-based health care providers. BEC is a licensed ambulatory surgery center providing endoscopic diagnostic and treatment services to citizens of Bloomington, Indiana, and surrounding communities.

On December 31, 2009, and effective as of that date, Bloomington Hospital, Inc. finalized an Integration Agreement with Clarian Health Partners, Inc. whereby Clarian Health Partners, Inc. became the sole corporate member of Bloomington Hospital, Inc. The Integration Agreement was designed to enable both organizations to further their common charitable missions of improving the health of their respective patients and the communities they serve. Clarian Health Partners, Inc., now legally known as Indiana University Health, is a not-for-profit organization that operates as a statewide delivery system with a central location in Indianapolis. Under the

1. Organization and Nature of Operations (continued)

Integration Agreement, Bloomington Hospital (now Indiana University Health Bloomington) became a part of the Indiana University Health health care delivery system and serves as the regional hub for South Central Indiana.

IUHB was previously affiliated with the Local Council of Women of Bloomington, Indiana, Inc. (the Local Council), a not-for-profit corporation, which is related to and affiliated with Bloomington Hospital Foundation, Inc. (the Foundation) and Bloomington Hospital Auxiliary (the Auxiliary).

2. Community Benefit and Charity Care

IUHB provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, improve the health of low-income patients, and foster medical education and research. In addition, IUHB provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources or who are uninsured or underinsured. Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of IUHB's benefit provided to the community, since a substantial portion of such services are reimbursed at amounts significantly less than cost.

IUHB's financial assistance policy is designed to provide care to patients regardless of their ability to pay. Patients who meet certain criteria for charity care (generally based on up to 400% of federal poverty income guidelines) are provided care without charge or at amounts less than established rates. In addition, financial assistance is available to patients under IUHB policies in which services are to be provided at discounted rates, generally determined based on federal poverty income guidelines.

The amount of charity care provided is determined based on the qualifying criteria, as defined in the financial assistance policy, through approved applications completed by patients and their families or beneficiaries, or based on analysis of patients without third-party insurance coverage who did not apply for charity and whose income was equal to or less than 200% of federal poverty income guidelines. No payment for services is anticipated for those patients whose charity care applications have been approved. The cost to provide charity care using the consolidated cost to charge ratio was $13,133 and $11,468 in 2011 and 2010, respectively. In

2. Community Benefit and Charity Care (continued)

addition, IUHB provides a significant amount of uncompensated care to other uninsured and underinsured patients, which is included in the provision for uncollected patient accounts.

Enacted March 23, 2010, the Patient Protection and Affordable Care Act (the Affordable Care Act) requires, among other things, that hospital organizations establish a financial assistance policy and a policy relating to emergency medical care. Both hospital organizations of IU Health Bloomington have adopted a written financial assistance policy that conforms with the Affordable Care Act and includes financial assistance eligibility criteria, the basis for calculating amounts charged to patients, and the method for applying financial assistance, billing, and collections policies with regards to actions that may be taken in the case of nonpayment, as well as their measures to widely publicize the policy within the community served by the organizations. Additionally, all of IU Health Bloomington's organizations have adopted written policies requiring the organizations to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under their financial assistance policy. These hospital organizations have also adopted policies to limit the amount charged for emergency or other medically necessary care that is provided to individuals eligible for assistance under the organization's financial assistance policy to not more than the amounts generally billed to individuals who have insurance covering such care. Finally, the hospital organizations have adopted policies to forgo extraordinary collection actions against an individual before the organization has made reasonable efforts to determine whether the individual is eligible for assistance under IU Health Bloomington's financial assistance policy. Conformance with the Affordable Care Act did not have a material impact on the consolidated financial position or results of operations of IU Health Bloomington.

Reimbursements are received by IUHB and by IUHP for Medicare and Medicaid beneficiaries in accordance with reimbursement agreements and related regulatory rules and regulations. Also, IUHP receives certain additional Medicaid Disproportionate Share (DSH) payments from the state of Indiana for those patients who qualify as medically indigent. These reimbursements and payments are less than the cost of providing the related services.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of IU Health Bloomington (parent), IUHB, IUHSIP, IUHP, HL, and BEC. All significant inter-entity transactions have been eliminated in consolidation.

Equity Interest in Unconsolidated Organizations

Investments in entities where IUHB or its affiliates own more than 20% and less than 51% and do not have significant operational influence are recorded under the equity method (see Note 12). Under the equity method, original investments are recorded at cost and adjusted for IU Health Bloomington's and its affiliates' share of undistributed earnings or losses of these entities. IU Health Bloomington's income or loss of these entities is included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

An investment in an entity where IU Health Bloomington owns less than 20% and does not have significant operating influence is recorded under the cost method.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Values of Financial Instruments

Financial instruments include cash and cash equivalents, patient accounts receivable, assets whose use is limited, accounts payable and accrued expenses, estimated third-party payer allowances, notes payable to banks, long-term debt, and certain other current assets and liabilities. The fair values for cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, estimated third-party payer allowances, notes payable to banks, and certain other current assets and liabilities approximate the carrying amounts reported in the consolidated balance sheets and, in the opinion of management, represent highly liquid assets or short-term obligations. The fair values for assets limited as to use and long-term debt are described in Notes 4 and 6, respectively.

3. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others at the time services are rendered. Certain revenue is subject to estimated retroactive revenue adjustments under reimbursement agreements with third-party payers due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period that the related services are rendered, and such amounts are adjusted in future periods as adjustments become known.

For the year ended December 31, 2011, the percentage of net patient service revenue derived under Medicare, Medicaid, and managed care programs approximated 30%, 4%, and 55%, respectively (32%, 4%, and 53%, respectively, in 2010). A managed care provider represented 30% and 28% of net patient service revenue in 2011 and 2010, respectively. Provision has been made, by a charge to contractual allowances as an offset to patient service revenue, for the differences between gross charges for patient services and estimated reimbursement from these government and insurance programs.

Indiana University Health Bloomington is a Medicaid DSH provider under Indiana law (IC 12-15-16(1-3)) and, as such, is eligible to receive state DSH payments. During 2010, both IUHB and IUHP submitted Medicaid DSH eligibility surveys to determine program eligibility status for state fiscal years 2010 and 2011. On the basis of these applications, IUHP continued to qualify for the state DSH program for state fiscal years 2010 and 2011, but IUHB was notified by the state of Indiana that it had failed to qualify for this eligibility period.

(Thousands of Dollars)

3. Summary of Significant Accounting Policies (continued)

The following summary gives effect to using historical information to report state DSH revenue recognized and the state fiscal year to which the revenues relate:

	Year Ended December 31	
	2011	**2010**
Operating income, excluding state DSH revenue	**$ 24,039**	$ 16,281
2010	**–**	1,761
2011	**2,177**	–
Operating income, as reported	**$ 26,216**	$ 18,042

There were no state DSH payment receivables at either December 31, 2011 or 2010.

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. Adjustments to prior year Medicare estimates for these items resulted in an increase in net patient service revenue of $1,085 and $1,556 in 2011 and 2010, respectively.

Cash and Cash Equivalents

Investments in highly liquid instruments with an original maturity of three months or less when purchased, excluding assets whose use is limited, are considered by management to be cash equivalents. IU Health Bloomington routinely invests in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations. IU Health Bloomington places its cash and cash equivalents with institutions with high credit quality.

Accounts Receivable and Allowance for Uncollectible Accounts

IU Health Bloomington extends credit to patients, substantially all of whom are residents of the state of Indiana, and do not require collateral or other security for the delivery of health care services. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g., Medicare, Medicaid, health insurance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice.

(Thousands of Dollars)

3. Summary of Significant Accounting Policies (continued)

The provision for uncollectible patient accounts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Management routinely assesses the adequacy of the allowance for uncollectible accounts based upon accounts receivable payer composition and aging, and historical write-off experience by payer category as adjusted for collection indicators. In addition, IU Health Bloomington follows established guidelines for placing certain past due patient balances with collection agencies, which are charged against the allowance for uncollectible accounts in accordance with the collection policies of IU Health Bloomington.

IU Health Bloomington grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of gross receivables from patients and third-party payers for 2011 and 2010 was as follows:

	2011	2010
Medicare	**28%**	39%
Medicaid	**6**	9
Commercial insurance	**48**	32
Self-pay and other payers	**18**	20
	100%	100%

A managed care payer represented 33% and 27% of net patient accounts receivables at December 31, 2011 and 2010, respectively.

IU Health Bloomington has an arrangement with Old National Bank to finance certain patient accounts receivable, with recourse to IU Health Bloomington if the guarantor does not pay such amounts. Such receivables totaled approximately $3,044 and $2,583 at December 31, 2011 and 2010, respectively.

3. Summary of Significant Accounting Policies (continued)

Inventories

Inventories, consisting of medical, pharmaceutical, dietary, surgical, office, and cleaning supplies, are determined by physical count and are priced and carried at the lower of cost (first-in, first-out method for pharmacy and weighted-average method for all other inventory) or market.

Assets Whose Use is Limited

Assets whose use is limited consist of Board-designated funds and funds held by the trustee under the trust indenture and related agreements. Board-designated funds are to be used for retirement of long-term debt and capital replacement but may be used for other purposes at the discretion of the Board of Directors. Investments in equity and debt securities are measured at fair value. Management considers all investments, excluding investments in limited partnerships, to be trading and, accordingly, all realized and unrealized gains and losses are recorded as non-operating gains and losses in the accompanying consolidated statements of operations and changes in net assets.

Funds held by the trustee are to be used for payment of principal and interest. These investments consist principally of U.S. government securities.

IU Health Bloomington is a limited partner in funds that focus on absolute return investment strategies. These investments are accounted for using the equity method of accounting, based on the fund’s financial information.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Gains and losses on the sale of property and equipment are recorded in the period sold. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets.

3. Summary of Significant Accounting Policies (continued)

Equipment under capital lease obligations is amortized on the straight-line method over the lease term or the estimated useful life of the equipment, whichever period is shorter. Such amortization is included with depreciation in the consolidated statements of operations and changes in net assets.

Unamortized Bond Issuance Costs and Bond Discount or Premium

Deferred financing costs include costs associated with the issuance of long-term debt, primarily underwriting fees, and are carried at cost, net of accumulated amortization. Depreciation and amortization expense reported in the consolidated statements of operations and changes in net assets includes approximately $103 and $105 of amortization expense for the years ended December 31, 2011 and 2010, respectively. Bond issuance costs are amortized using the effective interest method over the terms of the various bond issues. In addition to normal routine amortization expense, IUHB recognized a loss on extinguishment of debt of $951 with the re-funding of its 1999B bond issue as new debt, referred to as the 2011 Intercompany Term Note Payable, resulting from the elimination of all remaining unamortized original discount and issuance costs.

Noncontrolling Interest in Subsidiaries

IU Health Bloomington attributed income of $12,000 for the year ended December 31, 2011 to the noncontrolling interests based on the ownership percentage of the noncontrolling interests in certain of IU Health Bloomington's consolidated subsidiaries. These amounts are reflected in unrestricted net assets in the consolidated balance sheets.

Contributions and Temporarily and Permanently Restricted Net Assets

Unconditional promises to give cash and other assets to IU Health Bloomington are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Permanently restricted net assets have been restricted by donors to be maintained for the benefit of IUHB in perpetuity. Temporarily restricted net assets are those whose use by IUHB has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction

(Thousands of Dollars)

3. Summary of Significant Accounting Policies (continued)

ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. When the restriction of a temporarily restricted contribution is satisfied in the same reporting period as it is received, it is reported as other operating revenues if it is a program restriction or as unrestricted net assets if it is a capital expenditure restriction.

Temporarily restricted net assets are those whose use by IU Health Bloomington has been limited by donors to a specific time period or purpose.

Temporarily restricted net assets as of December 31, 2011 and 2010, are available for the following purposes:

	December 31	
	2011	**2010**
Medical education	**$ 113**	$ 114
Clinical/patient support	**2,824**	3,565
	$ 2,937	$ 3,679

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Income from permanently restricted net assets is to be used for clinical and patient support.

Interest in Net Assets of the Foundation

In accordance with accounting guidance, IUHB recognizes an asset equal to its interest in the Foundation. IUHB's interest is adjusted for IUHB's share of the change in temporarily and permanently restricted net assets of the Foundation. The Foundation contributed $3,320 and $197 to IUHB for capital purchases during 2011 and 2010, respectively.

3. Summary of Significant Accounting Policies (continued)

Operating and Performance Indicators

The activities of IU Health Bloomington are primarily related to providing health care services and, accordingly, expense information by functional classification is not used as a basis for measuring performance. Further, since substantially all resources are derived from providing health care services, similar to that if provided by a business enterprise, the following indicators are considered important in evaluating how well management has discharged its stewardship responsibilities:

> **Operating Indicator (Operating Income)** – Includes all unrestricted revenue, gains and other support, and expenses directly related to the recurring and ongoing health care operations during the reporting period and to equity in the earnings of unconsolidated investments. The operating indicator excludes investment income, including realized and unrealized gains and losses on investments, and gains and losses deemed by management not to be directly related to providing health care services.
>
> **Performance Indicator (Excess of Revenues Over Expenses)** – The performance indicator excludes changes in pension obligation and contributions for capital expenditures, investments by noncontrolling interest and other changes.

Income Taxes

IUHB, IUHP, and HL are tax exempt entities pursuant to Section 501(a) of the Internal Revenue Code (IRC) as organizations described in Section 501(c)(3) of the IRC. The tax-exempt affiliates have no material unrelated business income tax liability. IUHSIP is a taxable Indiana corporation with a net operating loss carryforward at December 31, 2011, of $16.6 million, which is available to offset future federal and state taxable income. The net operating loss expires in periods from 2012 through 2031. A valuation allowance has been provided against any deferred tax asset related to these losses, as it is more likely than not that the deferred tax asset will not be realized. IUHB, IUHP, HL and IUHSIP file income tax and information returns in Indiana and various local jurisdictions.

3. Summary of Significant Accounting Policies (continued)

Subsequent Events

For the consolidated financial statements as of and for the year ended December 31, 2011, management has evaluated subsequent events through April 24, 2012, the date that these consolidated financial statements were available to be issued.

New Accounting Guidance Not Yet Applicable

In May 2011, accounting guidance was issued that specified the valuation concept of highest and best use is applicable to nonfinancial assets and liabilities only. The guidance also permits the measurement of financial instruments managed in a portfolio to be measured at the price that would be received to sell or transfer between market participants at the measurement date. Additionally, the guidance allows for the use of premiums and discounts in measuring an asset or liability in the absence of a Level 1 input. This guidance also requires additional disclosures for Level 3 measurements, including the valuation process used and the use of a nonfinancial asset in a way that differs from the asset's highest and best use. The guidance becomes effective during interim and annual periods beginning after December 15, 2011. Adoption of this guidance will not have an impact on IU Health Bloomington's consolidated financial condition or results of operations as it only requires additional disclosures.

3. Summary of Significant Accounting Policies (continued)

In July 2011, guidance was issued that requires health care entities to reflect bad debt expense as a reduction to net patient revenue (net of contractual allowances and discounts) on the statement of operations and changes in net assets. Additionally, the following disclosures are required for interim and annual reporting: the policy for considering collectability in the timing and amount of revenue and bad debt recognized, patient service revenue by payer source, and qualitative and quantitative information about changes in the allowance for doubtful accounts. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011. Early adoption is permitted. Adoption of this guidance will require changes to the presentation of results of operations, as well as additional disclosures. However, it will not have an impact on IU Health Bloomington's consolidated financial condition or net results of operations. IU Health Bloomington will adopt this guidance as of January 1, 2012.

In August 2011, accounting guidance was issued related to goodwill that gives entities the option to first assess qualitative factors in determining whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is more than its carrying amount. If this qualitative assessment determines that it is likely that the fair value is more than the carrying amount, then performance of the two-step impairment test is unnecessary. However, if concluded otherwise, then the first step of the two-step impairment test must be completed. If the carrying amount exceeds fair value, then the second step is required to measure the amount of the impairment loss. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. Adoption of this guidance is not expected to have a material impact on IU Health Bloomington's consolidated financial condition or results of operations. IU Health Bloomington will adopt this guidance as of January 1, 2012.

4. Assets Limited as to Use

Board-designated investment funds are invested in accordance with Board-approved policies, which include, among other matters, targeted investment returns balanced by diversification of the investment portfolio, establishment of credit risk parameters, and limitation in the amount of investment in any single organization.

The estimated fair value of the assets limited as to use is determined using market information and other appropriate valuation methodologies. The methods and assumptions used to estimate the fair value of assets limited as to use are as follows: cash and cash equivalents – the carrying

4. Assets Limited as to Use (continued)

amounts reported in the consolidated balance sheets approximate fair value; marketable securities – the fair value amounts of marketable securities are based on quoted market prices or, if quoted market prices are not available, fair values are based on quoted market prices of comparable instruments; and other investments, including alternative investments (such as hedge funds, absolute return investments, and private equity investments) – these investments are accounted for using the equity method of accounting based upon the net asset values as determined by the administrators of each underlying fund, in consultation with and approval of the fund investment managers.

IU Health Bloomington invests, as a limited partner, in fund of funds that focus on absolute return investment strategies. Although execution could be limited, absolute return investment strategies are designed to reduce overall portfolio risk while producing positive investment returns regardless of market direction; however, investment returns are not guaranteed. Redemptions may be made with written notice of 95 days of each quarter-end; however, the funds have redemption charges of 3% of net asset value for redemptions made on or before the first anniversary date of initial investment. Upon complete redemption, the funds have "hold-back" provisions of up to 10% that are returned only after the funds' audited financial statements for the redemption period are issued.

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These risks include reliance on the skill of the fund managers, who often employ complex strategies with various financial instruments, including futures contracts, foreign currency contracts, structured notes, and interest rate, total return, and credit default swaps. Additionally, alternative investments may have limited information on a fund's underlying assets and valuation, and limited redemption or redemption-penalty provisions. Management believes that IU Health Bloomington, in consultation with its investment advisor, has the capacity to analyze and interpret the risks associated with alternative investments and, with this understanding, has determined that investing in these investments creates a balanced approach to its portfolio management.

The largest fund allocation to any fund is $4,373 at December 31, 2011, and there are no investments in any individual fund greater than 2% of the funds' net assets. As of December 31, 2011, there are no unfunded commitments relating to alternative investments. Changes in fair value of these funds are included in nonoperating income and losses in the accompanying consolidated statements of operations and changes in net assets.

(Thousands of Dollars)

4. Assets Limited as to Use (continued)

Assets whose use is limited consist of the following:

	December 31	
	2011	**2010**
Cash and cash equivalents	**$ 3,032**	$ 7,037
U.S. government and agency obligations	**10,046**	8,314
U.S. corporate obligations	**11,501**	12,469
U.S. equity securities	**43,432**	41,387
Non-U.S. securities	**24,931**	25,929
Real estate investment trusts and other	**1,320**	128
Hedged strategy (fund of funds)	**8,664**	8,865
	102,926	104,129
Current portion of trustee-held funds	**(116)**	(4,428)
Total Board-designated funds	**$ 102,810**	$ 99,701

Investment income and gains and losses for assets whose use is limited included in nonoperating (losses) income are comprised of the following:

	Year Ended December 31	
	2011	**2010**
Interest and dividend income	**$ 35**	$ 64
Realized gains and losses on sales of investments	**5,661**	6,056
Change in net unrealized (losses) gains on investments	**(8,567)**	6,062
	$ (2,871)	$ 12,182

IU Health Bloomington's investments are exposed to various kinds and levels of risk. Fixed-income securities expose IU Health Bloomington to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed-income securities is affected, particularly of those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell given securities.

(Thousands of Dollars)

4. Assets Limited as to Use (continued)

Equity securities expose IU Health Bloomington to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both foreign and domestic. Performance risk is the risk associated with a particular company's operating performance. Liquidity risk, as previously defined, tends to be higher for international equities and small capitalization equity companies.

5. Property and Equipment

The cost of property and equipment in service is summarized as follows:

	December 31	
	2011	**2010**
Land and improvements	**$ 18,595**	$ 17,091
Buildings and improvements	**242,489**	235,545
Equipment	**113,513**	106,224
	$ 374,597	$ 358,860

Useful lives of each category of assets are based on the estimated useful time frame that the particular assets are expected to be in service, generally in accordance with guidelines established by the American Hospital Association. Assets are depreciated on a straight-line basis beginning in the month when placed in service with asset lives ranging as follows: 20–25 years for land improvements, 5–40 years for buildings and improvements, and 3–20 years for equipment.

As of December 31, 2011, material commitments for acquisition of fixed assets totaled $20,365. Of this total, $2,920 is committed to the purchase of land at IU Health Bloomington's North Park Office Center for the purpose of future development of a second campus for provision of IUHB's services. The next purchase will be made in January 2012 at a cost of $1,500. The remainder of contractual commitments for purchases of property and equipment is related to various capital purchase orders still open at year-end.

(Thousands of Dollars)

6. Debt

Long-term debt as of December 31, 2011 and 2010, consists of the following:

	2011	2010
Hospital Revenue Refunding Bonds, Series 1997		
Serial bonds payable in annual principal installments beginning May 1998 through May 2012 in amounts ranging from $1,670 to $1,945. Interest payable semiannually at annual interest rates ranging from 3.9% to 5.2%.	$ –	$ 3,795
Less unamortized original issue discount	–	(1)
	–	3,794
Hospital Revenue Bonds, Series 1999B		
Serial bonds, payable in annual principal installments beginning May 2013 through May 2019 in amounts ranging from $1,275 to $1,795. Interest payable semiannually at fixed rates of interest ranging from 6.000% to 6.625%.	–	10,630
Term bonds, payable May 2024 and 2029 in amounts of $10,685 and $14,250, subject to mandatory redemption through operation of a sinking fund commencing May 2020 and May 2025, respectively. Interest payable semiannually at annual interest rates of 5.875% and 6.000%, respectively.	–	24,935
Less unamortized original issue discount	–	(328)
	–	35,237
Tax-exempt equipment loans, payable semiannually through July 2016 in amounts ranging from $273 to $1,346. Interest payable semiannually at variable annual interest rates ranging from 0.98% to 1.21% at December 31, 2011.	**7,083**	9,183
Hospital Revenue Bonds, Series 2008		
Indiana Finance Authority Bonds issued for IUHP in November 2008, in amounts from $100 to $150, principal and interest payable quarterly beginning January 2010 through January 2019. Interest payable at a variable rate equal to the one-month London Interbank Offered Rate (LIBOR) index plus 0.55%, not to exceed 7.50%; 0.793% at December 31, 2011.	**3,174**	3,612
Fixed rate promissory note, payable to Indiana University Health in annual installments beginning in March 2013 through March 2029 in amounts ranging from $1,395 to $2,885. Interest payable quarterly at fixed rates ranging from 4.7% to 5.0% (including unamortized original issue premium of $1,262 as of December 31, 2011)	**35,562**	–
Commercial note payable, Old National Bank, due May 1, 2011, principal payable annually in amounts ranging from $3,165 to $3,800. Interest payable monthly at a variable rate equal to the one-month LIBOR index plus 0.83%; 1.091% at December 31, 2010.	–	3,165
Capital leases	**457**	810
Other notes payable	**2,987**	3,205
	49,263	59,006
Less current portion of long-term debt and note payable to IUH	**2,360**	8,123
Long-term debt and note payable to IUH, net of current portion	**$ 46,903**	$ 50,883

Issuance and Extinguishment of Debt

On December 22, 2011, IUHB retired its Series 1997 Hospital Revenue Refunding Bonds, paying a total of $1,959 in principal and interest.

(Thousands of Dollars)

6. Debt (continued)

On December 17, 2011, IUHB fully redeemed its $35,565 of Series 1999B Hospital Revenue Bonds, replacing this debt with a term loan agreement with Indiana University Health. The new intercompany debt carries an original principal of $34,300 and an original issue premium of $1,265, which will be amortized over the 17.25-year term of the note. As a result of this redemption, IUHB recorded a loss on early extinguishment of debt of $951, which is included in nonoperating income (losses) on the consolidated statements of operations and changes in net assets.

The estimated fair value of the fixed rate promissory note payable to Indiana University Health at December 31, 2011, was approximately $36,207, based on market interest rates and conditions for similar issues as of that date; the estimated aggregate fair value of its fixed rate revenue bonds as of December 31, 2010, was $35,997. The recorded value of the variable rate tax-exempt equipment loans and other notes payable approximates fair value.

Required principal payments of IU Health Bloomington's long-term debt, excluding capitalized leases, are as follows:

2012	$ 2,360
2013	3,929
2014	3,625
2015	3,578
2016	3,237
Thereafter	32,534
	$ 49,263

Total interest paid on long-term debt for the years ended December 31, 2011 and 2010, aggregated $2,978 and $2,942, respectively.

Since May 2011, IUHB has had a line-of-credit agreement with its primary bank, Old National Bank of Evansville, Indiana, under which it may borrow sums of cash as needed, to a maximum total of $4,000. Interest accrues on such borrowings at a variable rate equal to the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks, as published in *The Wall Street Journal*. Loan principal is payable upon the lender's demand or at the borrower's discretion; interest on any outstanding principal is payable monthly. There were no funds borrowed against the line of credit at either December 31, 2011 or 2010.

6. Debt (continued)

Land and buildings with a book value of $4,296 and $4,417 at December 31, 2011 and 2010, respectively, are pledged as collateral under IU Health Bloomington's notes payable.

7. Fair Value Measurements

Recent accounting guidance addresses aspects of the expanding application of fair value accounting. The fair value accounting guidance provides, among other matters, for the following: defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value; establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date; requires consideration of nonperformance risk when valuing liabilities; and expands disclosures about instruments measured at fair value. The three-level hierarchy is based upon the nature of valuation techniques and whether such techniques are based upon observable or unobservable inputs, as defined.

Observable inputs are intended to reflect market data obtained from independent sources, while unobservable inputs may reflect market assumptions made by management or measurements made by financial specialists generally associated with the financial asset or liability. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Level 1 primarily consists of financial instruments such as money market securities and listed equities.

- Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date. Instruments in this category include certain U.S. government agency and sponsored entity debt securities.

7. Fair Value Measurements (continued)

- Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, IU Health Bloomington generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually or when aggregated with other observable inputs represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The following tables set forth by level within the fair value hierarchy IU Health Bloomington's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2011 and 2010. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, could be subject to change or variation, and may affect the valuation of fair value assets and liabilities and their classification within the fair value hierarchy levels.

(Thousands of Dollars)

7. Fair Value Measurements (continued)

December 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	**$ 72,579**	**$ –**	**$ –**	**$ 72,579**
U.S. government and agency obligations	**444**	**9,602**	**–**	**10,046**
U.S. corporate obligations	**2,359**	**9,142**	**–**	**11,501**
U.S. equity securities	**43,432**	**–**	**–**	**43,432**
Non-U.S. securities	**19,754**	**5,177**	**–**	**24,931**
Real estate investment trusts and other	**280**	**1,040**	**–**	**1,320**
Total assets measured at fair value on a recurring basis	**$ 138,848**	**$ 24,961**	**$ –**	**$ 163,809**

December 31, 2010	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 62,709	$ –	$ –	$ 62,709
U.S. government and agency obligations	1,730	6,584	–	8,314
U.S. corporate obligations	6,087	6,382	–	12,469
U.S. equity securities	40,949	438		41,387
Non-U.S. securities	23,059	2,870	–	25,929
Real estate investment trusts and other	128	-	–	128
Total assets measured at fair value on a recurring basis	$ 134,662	$ 16,274	$ –	$ 150,936

The fair value of cash and cash equivalents, which consist mainly of funds invested in money market funds, is based on quoted market prices and classified as Level 1. The fair value of Level 1 trading securities is based on quoted market prices from an active exchange. The fair value of Level 2 trading securities is based on third-party quotes based on quoted market prices of similar securities and other observable inputs.

IU Health Bloomington's $8,664 and $8,865 of alternative investments as of December 31, 2011 and 2010, respectively, are not included in the table because they are accounted for using the equity method of accounting (see Note 4).

(Thousands of Dollars)

8. Commitments and Contingencies

Leases

IU Health Bloomington leases various pieces of equipment and other property for use in operations. Future minimum payments under capital lease agreements with initial or remaining terms of one or more years at December 31, 2011, are as follows:

	Future Minimum Payment, Including Imputed Interest	Principal Payment
2012	**$ 283**	$ 235
2013	**234**	222
	$ 517	$ 457

IU Health Bloomington leases various pieces of medical equipment and other property for use in operations. Future minimum payments under noncancelable operating leases with initial or remaining terms of one or more years at December 31, 2011, are as follows:

2012	$ 3,874
2013	3,019
2014	2,736
2015	2,515
2016	2,489
Thereafter	4,864
	$ 19,497

Total rental expense was $4,874 in 2011, and $3,280 in 2010, and is included in purchased services in the consolidated statements of operations and changes in net assets.

9. Medical Malpractice

Various claims for employment matters, medical malpractice, and breach of contract have been asserted against IU Health Bloomington by various claimants, and provision for such claims is made in the consolidated financial statements when management considers the contingency to be probable. The claims are in various stages of processing, and some will ultimately be brought to trial. There are known incidents occurring through December 31, 2011, that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past.

Malpractice insurance coverage for IUHB and IUHP has been obtained on a claims-made basis through the State of Indiana's Patient Compensation Fund (the Fund) and the Reciprocal Risk Retention Group (RRRG). Should the claims-made insurance coverage not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be uninsured.

Effective October 1, 2003, IU Health Bloomington, along with other Indiana hospitals, formed an RRRG, originally known as VHA Central and currently operating as Indiana Healthcare Reciprocal Risk Retention Group (IHRRRG), for the purpose of providing hospital professional and general liability insurance. This captive insurance company was fully recognized by the Fund as of October 1, 2003.

Effective July 1, 2011, IU Health Bloomington began participating in the Indiana University Health medical malpractice program, including coverage provided by Indiana University Health Risk Retention Group, Inc. (the Group), a South Carolina-based risk retention group that is virtually wholly owned by Indiana University Health. The Group's liabilities are ceded to the reinsurer, Indiana University Health Assurance TLD, a captive insurance company wholly owned by Indiana University Health. The program of medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act (the Act), which limits the amount of individual claims to $1,250 and annual aggregate claims to $7,500, of which up to $1,000 would be paid by the Fund and $250 by IU Health Bloomington for each occurrence of malpractice. The Act also requires that health care providers meet certain requirements, including making funding payments to the Fund and maintaining certain insurance levels. IU Health Bloomington has met these requirements and is a qualified provider under the Act, retaining risk of $250 per occurrence and up to $7,500 in the annual aggregate.

9. Medical Malpractice (continued)

Loss reserves are established for incurred but not yet reported claims. IU Health Bloomington estimates and records liabilities related to malpractice insurance claims incurred but not reported as of the fiscal year-end as a provision for additional claims, according to calculations provided by professional actuaries retained by Indiana University Health, Inc. In conjunction with IU Health Bloomington's transition to the IUH Medical malpractice program, IU Health Bloomington purchased "tail" insurance coverage for claims occurring prior to July 1, 2011. The consolidated total of the accruals for such claims was $158 (covering claims occurring between July 1, 2011 and December 31, 2011) and $1,809 at December 31, 2011 and 2010, respectively; the prior year's accrual, representing claims calculated under the previous risk retention group IHRRRG. The accrued liability is carried on the consolidated balance sheet as a noncurrent liability. Loss reserves are discounted using an annual discount rate of 4.0%

In conjunction with IU Health Bloomington's participation in the IUH Medical Malpractice Program, the book value of IUHB's investment in IHRRRG is due to be refunded in full over a three-year period; $111 of this receivable is carried on the IU Health Bloomington consolidated balance sheet as a current asset, with the remaining $1,188 included among other noncurrent assets.

10. Retirement Plans

IUHB Defined-Contribution Plan

Since 2006, IUHB has provided to all qualifying employees basic annual pension plan contributions equal to 3% of their base salaries to the defined-contribution 403(b) plan. In addition, for each 1% that employees contribute to the plan from their own earnings, IUHB will contribute another 0.5%, to a maximum additional contribution of 1.5%. Thus, employees contributing at least 3% of their own earnings will earn a total contribution of 4.5% from IUHB. Contributions expensed related to this plan were $4,693 for 2011, which will be funded in 2012, and $4,835 for 2010, which was funded in 2011. Employees are vested in the employer portion of contributions to their individual retirement accounts on the basis of their years of service with IUHB: two years completed service, 20% vested; three years, 40% vested; four years, 60% vested; and five years, 80% vested. Following six years of service with IU Health Bloomington, the employee becomes 100% vested in the assets contributed by IUHB, as they also will do upon attainment of the plan's normal retirement age of 65, permanent disability, or death while actively employed by IUHB.

10. Retirement Plans (continued)

IUHP Defined-Contribution Plan

IUHP has a defined-contribution plan covering eligible full-time employees, to which IUHP makes matching contributions to a specified limit. Employer contribution expense related to this plan was $217 and $213 for the years ended December 31, 2011 and 2010, respectively, which was funded in the subsequent fiscal year. IUHP employees are vested in employer contributions to their individual retirement accounts according to their years of service with IUHP: two years, 20%; three years, 40%; four years, 60%; five years, 80%, and after six years, 100%.

IUHB Defined-Benefit Pension Plan

IUHB historically provided a noncontributory, defined-benefit pension plan covering substantially all IUHB's employees who completed six months of service. IUHB agreed to contribute such amounts as are necessary to provide assets sufficient to meet the plan's benefit obligations to members. As of July 1, 2006, IUHB imposed a "soft freeze" on the benefits provided under its defined-benefit plan, beginning its transition to the defined-contribution 403(b) retirement plan.

For all employees of IUHB who were under 50 years of age as of December 31, 2006, monthly benefits under the defined-benefit plan were frozen at the amount the benefits would have been based on calculations through December 2005.

Employees who had reached the age of 50 or more years as of December 31, 2006, continue to receive years of service credit for the remainder of their tenure with IUHB, but earnings upon which pension compensation will be based are not increased beyond June 30, 2006. Both those under and those over the age of 50 will continue to receive vesting credit under the revised defined-benefit plan, but no employee hired after June 30, 2006, will become a covered participant.

Adjustments to pension liabilities to reflect funded status are charged or credited to unrestricted net assets.

(Thousands of Dollars)

10. Retirement Plans (continued)

The following tables set forth the funded status of the defined-benefit pension plan and amounts recognized in the consolidated financial statements as of and for the years ended December 31, 2011 and 2010. Date of data collection was January 1, 2011 and 2010 (rolled forward to measurement dates of December 31, 2011 and 2010, and adjusted for changes in employment status).

	2011	2010
Changes in benefit obligation of the plan:		
Benefit obligation at beginning of the year	**$ 85,772**	$ 78,289
Service cost	**1,811**	2,094
Interest cost	**4,619**	4,680
Actuarial loss	**5,597**	3,842
Benefits paid	**(4,064)**	(3,133)
Benefit obligation at end of year	**93,735**	85,772
Changes in assets of the plan:		
Fair value of assets at beginning of year	**75,433**	67,484
Actual return on assets	**(2,436)**	8,980
Employer contributions	**398**	2,102
Benefits paid	**(4,064)**	(3,133)
Fair value of assets at end of year	**69,331**	75,433
Funded deficiency at December 31	**$ (24,404)**	$ (10,339)
Items not yet recognized as a component of net periodic pension cost:		
Net actuarial loss	**$ 30,485**	$ 17,207
Prior service cost	**10**	16
Net transition obligation	**–**	–
	$ 30,495	$ 17,223

The funded deficiency increased as a result of the decrease in the discount rate for benefit obligations and due to losses on plan investments.

(Thousands of Dollars)

10. Retirement Plans (continued)

	2011	2010
Components of net pension benefit cost:		
Service cost	**$ 1,810**	$ 2,094
Interest cost	**4,619**	4,680
Expected return on assets	**(6,021)**	(5,479)
Amortization of unrecognized prior service cost	**6**	6
Amortization of unrecognized net loss	**776**	1,540
Net periodic pension cost	**$ 1,190**	$ 2,841

	2011	2010
Weighted-average actuarial assumptions:		
Discount rate for net periodic pension cost	**5.70%**	6.00%
Discount rate for benefit obligations	**4.85**	5.70
Expected rate of return on plan assets	**8.00**	8.00
Rate of compensation increase		No salary increase after June 30, 2006

	2011	2010
Accumulated benefit obligation	**$ 93,650**	$ 85,602
Fair value of assets at end of year	**69,331**	75,433
Accumulated benefit obligation exceeding fair value of plan assets	**$ 24,319**	$ 10,169

Expected future benefit payments:

2012	$ 4,991
2013	5,744
2014	5,409
2015	6,213
2016	7,436
2017–2021	38,695

IUHB expects to contribute $2.9 million to the defined-benefit pension plan in 2012.

(Thousands of Dollars)

10. Retirement Plans (continued)

IUHB's weighted-average asset allocations by asset category at December 31, 2011 and 2010, are as follows:

	Target Allocation	Percentage of Plan Assets at Measurement Date 2011	Percentage of Plan Assets at Measurement Date 2010
Asset category			
Equity securities	60–80%	**74%**	79%
Fixed-income securities	20–30%	**16**	12
Other	0–17.5%	**10**	9
		100%	100%

The following tables present the plan's financial instruments as of December 31, 2011 and 2010, measured at fair value on a recurring basis within the fair value hierarchy as disclosed in Note 7:

December 31, 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents	**$ 2,194**	**$ –**	**$ –**	**$ 2,194**
U.S. government and agency obligations	**4,478**	**788**	**–**	**5,266**
U.S. corporate obligations	**2,052**	**3,726**	**–**	**5,778**
U.S. equity securities	**31,813**	**–**	**–**	**31,813**
Non-U.S. equity securities	**14,630**	**2,903**	**–**	**17,533**
Hedged strategy (fund of funds)	**–**	**6,571**	**–**	**6,571**
Real estate investment trusts and other	**176**	**–**	**–**	**176**
Total assets measured at fair value on a recurring basis	**$ 55,343**	**$ 13,988**	**$ –**	**$ 69,331**

December 31, 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents	$ 2,124	$ –	$ –	$ 2,124
U.S. government and agency obligations	2,757	694	–	3,451
U.S. corporate obligations	4,488	1,144	–	5,632
U.S. equity securities	33,144	393	–	33,537
Non-U.S. equity securities	21,408	2,484	–	23,892
Hedged strategy (fund of funds)	–	6,735	–	6,735
Real estate investment trusts and other	62	–	–	62
Total assets measured at fair value on a recurring basis	$ 63,983	$ 11,450	$ –	$ 75,433

10. Retirement Plans (continued)

The fair value of cash equivalents, which consist mainly of funds invested in money market funds, is based on quoted market prices and classified as Level 1. The fair value of Level 1 investments is based on quoted market prices from an active exchange. The fair value of Level 2 investments is based on third-party quotes based on quoted market prices of similar securities and other observable inputs.

The plan invests in alternative investments for which the net asset value per share represents the fair value of the investment held. Risks and redemption restrictions for these investments are similar to alternative investments described in Note 4.

The investment policy reflects the long-term nature of the pension plan's funding obligations. Assets are invested to achieve a rate of return consistent with policy allocation targets, which significantly contributes to meeting the current and future obligations of the plan and strives to help ensure solvency of the plan over time. This objective is to be achieved through a well-diversified asset portfolio and emphasis on long-term capital appreciation as a primary source of return. The plan utilizes a multimanager structure of complimentary investment styles and classes. Manager qualitative performance is continually evaluated, while a manager's investment performance is judged over an investment market cycle of at least three years.

Plan assets are exposed to risk and fluctuations in market value from year to year. To minimize risk, each manager maintains a diversification of their portfolio to insulate the portfolio from substantial losses in any single security or sector of the market. The asset allocation is reviewed for deviations in the allowable range for each asset class, and rebalancing is implemented as necessary.

The long-term rate of return of the plan investment allocation is designed to be commensurate with a conservatively managed balance allocation. The funds' fixed-income securities are to consist of investment-grade bonds rated A or better, with a weighted-average maturity not to exceed 10 years. Equity securities are allocated among small-cap growth and value companies, large-cap growth and value companies, and international companies.

Each investment type is managed by an asset manager specializing in these various security types. Performance of each of these accounts is benchmarked against the corresponding Russell benchmark.

(Thousands of Dollars)

10. Retirement Plans (continued)

As part of investment policies and strategies, the plan's investment committee meets quarterly to review performance. At least annually, the investment committee reviews and formulates the specific investment and allocation plan. Any adjustments that are deemed necessary are based on specific criteria, i.e., necessary plan funding, plan obligations, plan expenses, and plan liquidity needs.

11. Employee Medical and Dental Benefits

IUHB and IUHP have elected to self-insure certain costs related to employee medical and dental benefit programs. Costs resulting from such incidents are expensed when incurred. IUHB and IUHP maintain stop-loss insurance for annual claims in excess of $225 per employee. At December 31, 2011 and 2010, the consolidated self-insurance liability recorded totaled $3,119 and $2,967, respectively, and is included in salaries, wages, and related liabilities in the accompanying consolidated balance sheets.

12. Related-Party Transactions

The following is a summary of IUHB's equity method investments in joint ventures for the years ended December 31, 2011 and 2010:

	Southern Indiana Surgery Center	Brown County Medical Cooperative	Total
Balance at January 1, 2010	$ 697	$ 735	$ 1,432
Distributions	(1,256)	–	(1,256)
Equity in net earnings	1,479	(42)	1,437
Balance at December 31, 2010	920	693	1,613
Distributions	**(1,650)**	–	**(1,650)**
Equity in net earnings	**1,832**	**(52)**	**1,780**
Balance at December 31, 2011	**$ 1,102**	**$ 641**	**$ 1,743**

(Thousands of Dollars)

12. Related-Party Transactions (continued)

Summarized and aggregated financial information for Southern Indiana Surgery Center and Brown County Medical Cooperative as of and for the years ended December 31, 2011 and 2010, is as follows:

	2011		**2010**	
	Southern Indiana Surgery Center	**Brown County Medical Cooperative**	**Southern Indiana Surgery Center**	**Brown County Medical Cooperative**
Current assets	**$ 1,742**	**$ 57**	$ 2,029	$ 141
Noncurrent assets	**1,856**	**1,388**	1,912	1,423
Total assets	**$ 3,598**	**$ 1,445**	$ 3,941	$ 1,564
Current liabilities	**$ 537**	**$ 164**	$ 578	$ 179
Noncurrent liabilities	**209**	**–**	288	–
Total liabilities	**746**	**164**	866	179
Net assets	**2,852**	**1,281**	3,075	1,385
Total liabilities and net assets	**$ 3,598**	**$ 1,445**	$ 3,941	$ 1,564
Revenues	**$ 8,387**	**$ 183**	$ 7,754	$ 189
Operating expenses	**4,875**	**287**	4,306	270
Operating income (loss)	**3,512**	**(104)**	3,448	(81)
Nonoperating loss	**(69)**	**–**	(32)	–
Net income (loss)	**$ 3,443**	**$ (104)**	$ 3,416	$ (81)
IU Health Bloomington's equity in net earnings of unconsolidated affiliates	**$ 1,832**	**$ (52)**	$ 1,479	$ (42)

IUHB also owns one investment in which its ownership is less than 20% and is reported using the cost method. The carrying value of this investment is included in investment in joint ventures at $705 at both December 31, 2011 and 2010.

IUHB and IUHP purchase certain services from Indiana University Health (IUH). These expenses, primarily for branding, physician recruiting, education, and other administrative services, totaled $1,776 for the year ended December 31, 2011, and are included in supplies, drugs, purchased services, and other expenses in the consolidated statements of operations and changes in net assets; there were no equivalent expenses for the year ended December 31, 2010. In addition, IUHB purchases physician services from the Clarian Cardiovascular Surgery Group

12. Related-Party Transactions (continued)

(CCSG), an Indiana University Health affiliate. The cost of these services was $703 and $827 for the years ended December 31, 2011 and 2010, respectively; these costs are also included in supplies, drugs, purchased services, and other expenses in the consolidated statements of operations and changes in net assets. Unpaid liabilities for both IUH and CCSG totaled $379 and $603 at December 31, 2011 and 2010, respectively, and are included with accounts payable and accrued expenses in the IU Health Bloomington consolidated balance sheets.

During the year ended December 31, 2011, IUHB, IUHP, and BCMC made total payments of $1,722 to the Indiana University Health Risk Retention Group (IUHRRG) for professional and general insurance services. Of this total, $757 was reported as insurance expense, a component of supplies, drugs, purchased services, and other expense on the consolidated statements of operations and changes in net assets; the balance of $965 is included in prepaid expenses on the consolidated balance sheets. There was no equivalent relationship between IUH Bloomington and IUHRRG during the year ended December 31, 2010.

13. Health Care Legislation and Regulation

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, participation requirements, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and security, privacy, and standards of health information. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and noncompliance with 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, significant repayments for patient services previously billed, and disruptions or delays in processing administrative transactions, including the adjudication of claims and payment.

In the opinion of management, there are no known regulatory inquiries that are expected to have a material adverse effect on the consolidated financial statements of IU Health Bloomington; however, 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.

13. Health Care Legislation and Regulation (continued)

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act. The legislation, among other matters, is designed to expand access to coverage to substantively all citizens by 2019 through a combination of public program expansion and private industry health insurance. Changes to existing Medicare and Medicaid coverage and payments are also expected to occur as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

Supplemental Information

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Report of Independent Auditors on Supplemental Information

The Board of Directors
Indiana University Health Bloomington and Affiliates

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets and statements of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

April 24, 2012

Indiana University Health Bloomington and Affiliates

Consolidating Balance Sheet

(Thousands of Dollars)

December 31, 2011

	Total	Eliminations	Indiana University Health Bloomington Endoscopy Center	Indiana University Health Healthlinc Corp	Indiana University Health Paoli Hospital	Indiana University Health Southern Indiana Physicians	Indiana University Health Bloomington Hospital
Assets							
Current assets:							
Cash and cash equivalents	$ 69,547	$ –	$ 153	$ 189	$ 16,730	$ 1,223	$ 51,252
Patient accounts receivable, net	44,202	–	278	–	2,213	2,684	39,027
Prepaid expenses	11,892	(979)	9	157	362	2,756	9,587
Inventories	6,051	–	54	–	577	–	5,420
Current portion of trustee-held funds	116	–	–	–	116	–	–
Total current assets	131,808	(979)	494	346	19,998	6,663	105,286
Assets limited as to use:							
Board-designated and trustee-held investment funds	102,810	–	–	–	2,150		100,660
Property and equipment:							
Cost of property and equipment in service	374,597	–	1,028	5	13,841	2,300	357,423
Less accumulated depreciation	(247,527)	–	(276)	(1)	(6,551)	(434)	(240,265)
	127,070	–	752	4	7,290	1,866	117,158
Construction-in-progress	5,270				548		4,722
Total property and equipment, net	132,340	–	752	4	7,838	1,866	121,880
Other assets:							
Equity interest in unconsolidated subsidiaries	2,448	(561)	–	–	–	–	3,009
Interest in net assets of foundation	3,572	–	–	–	–	–	3,572
Unamortized bond issuance costs	–	–	–	–	–	–	–
Other	4,871	–	–	–	–	–	4,871
Total other assets	10,891	(561)	–	–	–	–	11,452
Total assets	$ 377,849	$ (1,540)	$ 1,246	$ 350	$ 29,986	$ 8,529	$ 339,278

Indiana University Health Bloomington and Affiliates

Consolidating Balance Sheet (continued)

(Thousands of Dollars)

	Total	Eliminations	Indiana University Health Bloomington Endoscopy Center	Indiana University Health Healthlinc Corp	Indiana University Health Paoli Hospital	Indiana University Health Southern Indiana Physicians	Indiana University Health Bloomington Hospital
Liabilities and net assets							
Current liabilities:							
Accounts payable and accrued expenses	$ 9,278	$ (9)	$ 147	$ 186	$ 322	$ 899	$ 7,733
Accrued salaries, wages, and related liabilities	27,135	–	–	–	1,294	3,690	22,151
Estimated third-party payor allowances	7,548	–	–	–	2,286	–	5,262
Current portion of long-term debt	2,360	–	–	–	438	–	1,922
Due to affiliated entities	–	(979)	–	–	924	55	–
Total current liabilities	46,321	(988)	147	186	5,264	4,644	37,068
Noncurrent liabilities:							
Long-term debt, less current portion	46,903	–	–	–	2,737	–	44,166
Accrued pension obligations	24,404	–	–	–	–	–	24,404
Accrued medical malpractice claims	158	–	–	–	12	–	146
Other	216	–	–	–	–	–	216
Total noncurrent liabilities	71,681	–	–	–	2,749	–	68,932
Total liabilities	118,002	(988)	147	186	8,013	4,644	106,000
Net assets:							
Unrestricted	256,276	(552)	1,099	164	21,973	3,885	229,707
Temporarily restricted	2,937	–	–	–	–	–	2,937
Permanently restricted	634	–	–	–	–	–	634
Total net assets	259,847	(552)	1,099	164	21,973	3,885	233,278
Total liabilities and net assets	$ 377,849	$ (1,540)	$ 1,246	$ 350	$ 29,986	$ 8,529	$ 339,278

Indiana University Health Bloomington and Affiliates

Consolidating Balance Sheet

(Thousands of Dollars)

December 31, 2010

	Total	Eliminations	Indiana University Health Bloomington Endoscopy Center	Indiana University Health Healthlinc Corp	Indiana University Health Paoli Hospital	Indiana University Health Southern Indiana Physicians	Indiana University Health Bloomington Hospital
Assets							
Current assets:							
Cash and cash equivalents	$ 55,672	$ –	$ 1	$ 247	$ 13,723	$ 322	$ 41,379
Patient accounts receivable, net	41,903	–	270	–	2,161	355	39,117
Prepaid expenses	9,888	(1,037)	–	69	277	(9)	10,588
Inventories	5,636	–	46	–	648	–	4,942
Current portion of trustee-held funds	4,428	–	–	–	117	–	4,311
Total current assets	117,527	(1,037)	317	316	16,926	668	100,337
Assets limited as to use:							
Board-designated and trustee-held investment funds	99,701	–	–	–	2,228	–	97,473
Property and equipment:							
Cost of property and equipment in service	358,860	–	10	–	13,130	557	345,163
Less accumulated depreciation	(229,586)	–	–	–	(5,589)	(344)	(223,653)
	129,274	–	10	–	7,541	213	121,510
Construction-in-progress	2,149	–	–	–	123	–	2,026
Total property and equipment, net	131,423	–	10	–	7,664	213	123,536
Other assets:							
Equity interest in unconsolidated subsidiaries							
Interest in net assets of foundation	2,318	(167)	–	–	–	–	2,485
Unamortized bond issuance costs	4,314	–	–	–	–	–	4,314
Other	715	–	–	–	–	–	715
Total other assets	2,889	–	–	–	–	–	2,889
Total assets	10,236	(167)	–	–	–	–	10,403
	$ 358,887	$ (1,204)	$ 327	$ 316	$ 26,818	$ 881	$ 331,749

Indiana University Health Bloomington and Affiliates

Consolidating Balance Sheet (continued)

(Thousands of Dollars)

	Total	Eliminations	Indiana University Health Bloomington Endoscopy Center	Indiana University Health Healthlinc Corp	Indiana University Health Paoli Hospital	Indiana University Health Southern Indiana Physicians	Indiana University Health Bloomington Hospital
Liabilities and net assets							
Current liabilities:							
Accounts payable and accrued expenses	$ 9,870	$ –	$ –	$ 217	$ 303	$ 55	$ 9,295
Accrued salaries, wages, and related liabilities	26,092	–	–	–	1,210	669	24,213
Estimated third-party payor allowances	5,434	–	–	–	1,603	–	3,831
Current portion of long-term debt	8,123	–	–	–	539	–	7,584
Due to affiliated entities	–	(1,036)	–	–	910	126	–
Total current liabilities	49,519	(1,036)	–	217	4,565	850	44,923
Noncurrent liabilities:							
Long-term debt, less current portion	50,883	–	–	–	3,174	–	47,709
Accrued pension obligations	10,339	–	–	–	–	–	10,339
Accrued medical malpractice claims	1,809	–	–	–	264	–	1,545
Other	216	–	–	–	–	–	216
Total noncurrent liabilities	63,247	–	–	–	3,438	–	59,809
Total liabilities	112,766	(1,036)	–	217	8,003	850	104,732
Net assets:							
Unrestricted	241,808	(168)	327	99	18,815	31	222,704
Temporarily restricted	3,679	–	–	–	–	–	3,679
Permanently restricted	634	–	–	–	–	–	634
Total net assets	246,121	(168)	327	99	18,815	31	227,017
Total liabilities and net assets	$ 358,887	$ (1,204)	$ 327	$ 316	$ 26,818	$ 881	$ 331,749

Indiana University Health Bloomington and Affiliates

Consolidating Statement of Operations and Changes in Net Assets

(Thousands of Dollars)

December 31, 2011

	Total	Eliminations	Indiana University Health Bloomington Endoscopy Center	Indiana University Health Healthlinc Corp	Indiana University Health Paoli Hospital	Indiana University Health Southern Indiana Physicians	Indiana University Health Bloomington Hospital
Revenues:							
Net patient service revenue	$ 381,049		$ 2,831	$ –	$ 28,277	$ 20,968	$ 328,973
Other revenue	10,577	(584)	2	466	372	729	9,592
Total operating revenues	391,626	(584)	2,833	466	28,649	21,697	338,565
Expenses:							
Salaries, wages, and benefits	197,074	(120)	833	394	14,519	21,505	159,943
Supplies, drugs, purchased services, and other	118,741	(452)	1,929	408	6,330	7,143	103,383
Depreciation and amortization	18,792	–	48	1	1,152	165	17,426
Provision for uncollected patient accounts	28,118	–	–	–	3,286	1,895	22,937
Interest	2,685	–	–	–	30	3	2,652
Total operating expenses	365,410	(572)	2,810	803	25,317	30,711	306,341
Operating income (loss)	26,216	(12)	23	(337)	3,332	(9,014)	32,224
Nonoperating losses:							
Investment loss	(3,822)	–	–	–	(56)	–	(3,766)
Total operating loss	(3,822)	–	–	–	(56)	–	(3,766)
Excess (deficiency) of revenues over expenses	22,394	(12)	23	(337)	3,276	(9,014)	28,458

Indiana University Health Bloomington and Affiliates

Consolidating Statement of Operations and Changes in Net Assets (continued)

(Thousands of Dollars)

December 31, 2011

	Total	Eliminations	Indiana University Health Bloomington Endoscopy Center	Indiana University Health Healthlinc Corp	Indiana University Health Paoli Hospital	Indiana University Health Southern Indiana Physicians	Indiana University Health Bloomington Hospital
Unrestricted net assets:							
Excess (deficiency) of revenues over expenses	$ 22,394	$ (12)	$ 23	$ (337)	$ 3,276	$ (9,014)	$ 28,458
Change in pension obligations	(13,272)	–	–	–	–	–	(13,272)
Foundation contributions for capital expenditures	3,320	–	–	–	–	–	3,320
Noncontrolling interest acquired	376	(373)	749	–	–	–	–
Noncontrolling goodwill acquired	1,650	–	–	–	–	–	1,650
Net assets transferred to affiliates	–	–	–	402	(118)	–	(284)
Additional paid-in capital	–	–	–	–	–	12,868	(12,868)
Increase in unrestricted net assets	14,468	(385)	772	65	3,158	3,854	7,004
Temporarily restricted net assets:							
Change in beneficial interest in net assets of foundation	(742)	–	–	–	–	–	(742)
Decrease in temporarily restricted net assets	(742)	–	–	–	–	–	(742)
Permanently restricted net assets:							
Change in permanently restricted net assets held by foundation	–	–	–	–	–	–	–
Increase in permanently restricted net assets	–	–	–	–	–	–	–
Increase in net assets	13,726	(385)	772	65	3,158	3,854	6,262
Net assets at beginning of year	246,121	(167)	327	99	18,815	31	227,016
Net assets at end of year	$ 259,847	$ (552)	$ 1,099	$ 164	$ 21,973	$ 3,885	$ 233,278

Indiana University Health Bloomington and Affiliates

Consolidating Statement of Operations and Changes in Net Assets

(Thousands of Dollars)

December 31, 2010

	Total	Eliminations	Indiana University Health Bloomington Endoscopy Center	Indiana University Health Paoli Hospital	Indiana University Health Southern Indiana Physicians	Indiana University Health Bloomington Hospital
Revenues:						
Net patient service revenue	$ 348,921	$ –	$ –	$ 27,720	$ 3,768	$ 317,433
Other revenue	10,437	(221)	298	388	195	9,777
Total operating revenues	359,358	(221)	298	28,108	3,963	327,210
Expenses:						
Salaries, wages, and benefits	181,308	(65)	190	13,407	3,044	164,732
Supplies, drugs, purchased services, and other	110,780	(156)	386	6,187	3,724	100,639
Depreciation and amortization	18,470	–	–	1,102	43	17,325
Provision for uncollected patient accounts	27,842	–	–	3,974	281	23,587
Interest	2,916	–	–	46	3	2,867
Total operating expenses	341,316	(221)	576	24,716	7,095	309,150
Operating income (loss)	18,042	–	(278)	3,392	(3,132)	18,060
Nonoperating gains:						
Investment income, net	12,182	–	–	294	–	11,888
Total nonoperating income	12,182	–	–	294	–	11,888
Excess (deficit) of revenues over expenses	30,224	–	(278)	3,686	(3,132)	29,948

Indiana University Health Bloomington and Affiliates

Consolidating Statement of Operations and Changes in Net Assets (continued)

(Thousands of Dollars)

	Total	Eliminations	Indiana University Health Bloomington Endoscopy Center	Indiana University Health Healthlinc Corp	Indiana University Health Paoli Hospital	Indiana University Health Southern Indiana Physicians	Indiana University Health Bloomington Hospital
Unrestricted net assets:							
Excess (deficiency) of revenues over expenses	$ 30,224	$ –	$ –	$ (278)	$ 3,686	$ (3,132)	$ 29,948
Change in pension obligations	1,204	–	–	–	–	–	1,204
Foundation contributions for capital expenditures	197	–	–	–	–	–	197
Other	160	(167)	327	–	–	–	–
Net assets transferred to affiliates	–	–	–	377	–	–	(377)
Additional (decrease) paid-in capital	–	–	–	–	–	2,469	(2,469)
Increase in unrestricted net assets	31,785	(167)	327	99	3,686	(663)	28,503
Temporarily restricted net assets:							
Change in beneficial interest in net assets of foundation	205	–	–	–	–	–	205
Increase in temporarily restricted net assets	205	–	–	–	–	–	205
Permanently restricted net assets:							
Change in permanently restricted net assets held by foundation	–	–	–	–	–	–	–
Increase in permanently restricted net assets	–	–	–	–	–	–	–
Increase (decrease) in net assets	31,990	(167)	327	99	3,686	(663)	28,708
Net assets at beginning of year	214,131	–	–	–	15,129	694	198,308
Net assets at end of year	$ 246,121	$ (167)	$ 327	$ 99	$ 18,815	$ 31	$ 227,016

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