

SAINT THOMAS HEALTH SERVICES FUND

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2011 AND 2010

SAINT THOMAS HEALTH SERVICES FUND

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Independent Auditors' Report

The Board of Directors
Saint Thomas Health Services Fund
Nashville, Tennessee

We have audited the accompanying statements of financial position of Saint Thomas Health Services Fund (a nonprofit organization) (the "Fund") as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Fund'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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. 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 financial statements referred to above present fairly, in all material respects, the financial position of Saint Thomas Health Services Fund as of June 30, 2011 and 2010, and its activities and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2011 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Board of Directors
Saint Thomas Health Services Fund

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Fund taken as a whole. The accompanying schedule of expenditures of federal and state awards for the year ended June 30, 2011, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 8, 2011

SAINT THOMAS HEALTH SERVICES FUND
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$11,657,502	\$ 4,891,929
Investments	25,302,477	27,344,949
Prepays	13,550	-
Grants receivable	33,653	241,020
Contributions receivable, net	2,709,466	2,798,309
Assets held under split-interest agreements	1,690,322	1,665,414
Furniture and equipment, net of accumulated depreciation of \$115,038 and \$114,529, respectively	<u>-</u>	<u>509</u>
Total assets	<u>\$41,406,970</u>	<u>\$36,942,130</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 79,588	\$ 23,398
Accounts payable - related party	112,588	647,630
Promises to give	510,377	727,397
Deferred grant revenue	<u>58,550</u>	<u>153,197</u>
Total liabilities	<u>761,103</u>	<u>1,551,622</u>
Net Assets:		
Unrestricted	20,917,813	17,254,691
Temporarily restricted	17,590,914	15,998,677
Permanently restricted	<u>2,137,140</u>	<u>2,137,140</u>
Total net assets	<u>40,645,867</u>	<u>35,390,508</u>
Total liabilities and net assets	<u>\$41,406,970</u>	<u>\$36,942,130</u>

See accompanying notes to financial statements.

SAINT THOMAS HEALTH SERVICES FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT				
Contributions	\$ 2,874,249	\$ 2,526,927	\$ -	\$ 5,401,176
Grants and awards	1,140,009	-	-	1,140,009
Investment income	3,030,742	2,279,442	-	5,310,184
Changes in value of split-interest agreements	-	24,908	-	24,908
Net assets released from restrictions and reclasses	<u>3,239,040</u>	<u>(3,239,040)</u>	<u>-</u>	<u>-</u>
 Total revenue and public support	<u>10,284,040</u>	<u>1,592,237</u>	<u>-</u>	<u>11,876,277</u>
EXPENSES				
Program	5,357,910	-	-	5,357,910
Management and general	465,960	-	-	465,960
Fundraising	<u>797,048</u>	<u>-</u>	<u>-</u>	<u>797,048</u>
 Total expenses	<u>6,620,918</u>	<u>-</u>	<u>-</u>	<u>6,620,918</u>
 Changes in net assets	3,663,122	1,592,237	-	5,255,359
 Net assets, beginning of year	<u>17,254,691</u>	<u>15,998,677</u>	<u>2,137,140</u>	<u>35,390,508</u>
 Net assets, end of year	<u>\$20,917,813</u>	<u>\$ 17,590,914</u>	<u>\$2,137,140</u>	<u>\$40,645,867</u>

See accompanying notes to financial statements.

SAINT THOMAS HEALTH SERVICES FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT				
Contributions	\$ 3,266,880	\$ 2,843,603	\$ -	\$ 6,110,483
Grants and awards	1,713,664	-	-	1,713,664
Investment income	1,514,757	1,654,108	16,563	3,185,428
Changes in value of split-interest agreements	-	44,730	-	44,730
Guarantee income	546,075	-	-	546,075
Net assets released from restrictions and reclasses	<u>4,093,305</u>	<u>(4,093,305)</u>	<u>-</u>	<u>-</u>
 Total revenue and public support	<u>11,134,681</u>	<u>449,136</u>	<u>16,563</u>	<u>11,600,380</u>
EXPENSES				
Program	6,533,025	-	-	6,533,025
Management and general	455,939	-	-	455,939
Fundraising	<u>748,686</u>	<u>-</u>	<u>-</u>	<u>748,686</u>
 Total expenses	<u>7,737,650</u>	<u>-</u>	<u>-</u>	<u>7,737,650</u>
 Changes in net assets	3,397,031	449,136	16,563	3,862,730
 Net assets, beginning of year	<u>13,857,660</u>	<u>15,549,541</u>	<u>2,120,577</u>	<u>31,527,778</u>
 Net assets, end of year	<u>\$17,254,691</u>	<u>\$ 15,998,677</u>	<u>\$2,137,140</u>	<u>\$35,390,508</u>

See accompanying notes to financial statements.

SAINT THOMAS HEALTH SERVICES FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Grants	\$5,016,937	\$ -	\$ -	\$5,016,937
Salaries	106,361	332,185	395,279	833,825
Brokerage fees	173,639	-	-	173,639
Fundraising	-	-	164,350	164,350
Employee benefits	21,153	60,706	70,767	152,626
Occupancy	31,480	15,740	15,740	62,960
Printing	-	450	54,905	55,355
Professional fees	-	26,150	25,400	51,550
Supplies	5,831	3,349	39,066	48,246
Other	-	18,361	10,665	29,026
Postage	-	224	10,930	11,154
Dues and subscriptions	2,254	4,509	2,254	9,017
Gifts and entertainment	-	-	5,931	5,931
Telephone	-	1,634	1,634	3,268
Software maintenance	-	2,525	-	2,525
Depreciation	<u>255</u>	<u>127</u>	<u>127</u>	<u>509</u>
Total expenses	<u>\$5,357,910</u>	<u>\$465,960</u>	<u>\$797,048</u>	<u>\$6,620,918</u>

See accompanying notes to financial statements.

SAINT THOMAS HEALTH SERVICES FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Grants	\$6,275,236	\$ -	\$ -	\$6,275,236
Salaries	98,149	318,225	373,558	789,932
Fundraising	-	-	155,195	155,195
Employee benefits	18,714	56,131	64,064	138,909
Brokerage fees	101,135	-	-	101,135
Printing	-	14	69,490	69,504
Occupancy	31,480	15,740	15,740	62,960
Other	-	16,552	21,354	37,906
Supplies	6,735	3,645	23,935	34,315
Professional fees	-	20,975	-	20,975
Software maintenance	-	20,104	-	20,104
Postage	-	330	17,800	18,130
Gifts and entertainment	-	-	4,394	4,394
Dues and subscriptions	1,067	2,134	1,067	4,268
Telephone	-	1,834	1,834	3,668
Depreciation	<u>509</u>	<u>255</u>	<u>255</u>	<u>1,019</u>
Total expenses	<u>\$6,533,025</u>	<u>\$455,939</u>	<u>\$748,686</u>	<u>\$7,737,650</u>

See accompanying notes to financial statements.

SAINT THOMAS HEALTH SERVICES FUND
STATEMENTS OF CASH FLOWS

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,255,359	\$ 3,862,730
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	509	1,019
Realized and unrealized gain on investments	(4,633,304)	(2,738,123)
Termination of guarantee liability	-	(546,075)
Changes in operating assets and liabilities:		
Grants receivable	207,367	(199,620)
Contributions receivable, net	88,843	1,105,867
Prepays	(13,550)	-
Assets held under split-interest agreements	(24,908)	(44,730)
Accounts payable and accrued expenses	56,190	(8,590)
Accounts payable - related party	(535,042)	(2,701,756)
Promises to give	(217,020)	502,094
Deferred grant revenue	<u>(94,647)</u>	<u>(172,668)</u>
Net cash provided by (used in) operating activities	<u>89,797</u>	<u>(939,852)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,573,499)	(12,913,741)
Proceeds from sale of investments	<u>16,249,275</u>	<u>11,730,301</u>
Net cash provided by (used in) investing activities	<u>6,675,776</u>	<u>(1,183,440)</u>
Net increase (decrease) in cash and cash equivalents	6,765,573	(2,123,292)
Cash and cash equivalents, beginning of year	<u>4,891,929</u>	<u>7,015,221</u>
Cash and cash equivalents, end of year	<u>\$ 11,657,502</u>	<u>\$ 4,891,929</u>

See accompanying notes to financial statements.

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

A. ORGANIZATION AND PURPOSE

Saint Thomas Health Services Fund (“the Fund”) was formed effective July 1, 2002 upon the combination of Saint Thomas Foundation and Baptist Hospital Foundation. The creation of the Fund resulted from Saint Thomas Foundation restating its bylaws and assuming control of Baptist Hospital Foundation. Previously, Saint Thomas Foundation and Baptist Hospital Foundation operated as separate entities. The Fund is a not-for-profit Tennessee corporation organized exclusively to solicit contributions from individuals and organizations for charitable, educational and scientific purposes solely to support and encourage health care services of Saint Thomas Health Services. Saint Thomas Health Services is a major provider of hospital and related services in Nashville, Tennessee and surrounding areas.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis and Financial Statement Presentation

The financial statements of the Fund have been prepared on the accrual basis of accounting.

The Fund classifies its revenue, support, expenses, gains and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of the Fund and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Fund and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations must be maintained permanently by the Fund. Generally, the donors of these assets permit the Fund to use all or part of the income earned on related investments for general or specific purposes.

The amount for each of these classes of net assets is presented in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities and changes in net assets.

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

The Fund reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In the event a donor makes changes to the nature of a restricted gift, which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities and changes in net assets.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly-liquid investments with original maturities of three months or less.

Federal, State and Other Grants

Revenue under federal, state and other grants is recognized to the extent related expenses have been incurred. Grants receivable represents the difference between amounts earned and amounts received. Deferred grant revenue represents grant funds received that have not been earned.

Contributions Receivable

Contributions receivable are recorded at their estimated fair value and reflect discounts for payment terms greater than one year and allowances for uncollectible amounts. Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor.

Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the pledge is received.

Investments

Investments are reported at fair value (generally at quoted market prices). In the case of certain less marketable investments, principally real estate funds, offshore and private investments, fair value has been estimated by the respective investment managers (See Note I). Gains or losses in the value of investments are reported in the statements of activities and changes in net assets in the period they occur.

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Split-Interest Agreements

The following instruments are recorded as contributions and assets at the present value of their ultimate Saint Thomas Health Services Fund interest:

Charitable Remainder Trust - A trust under which specified distributions are to be made upon termination of the trust.

Charitable Lead Trust - A trust with specific distributions to be made over a specified period. Upon termination of the trust, the remainder of the trust assets is paid to the beneficiary designated by the donor.

Furniture and Equipment

Furniture and equipment are recorded at cost, or if contributed, at fair value at date of gift. Depreciation is calculated using the straight-line method based upon useful lives of the respective assets which range from five to fifteen years.

Concentrations

The Fund maintains cash deposits and investments in accounts which, at times, may exceed federally insured limits. Credit risk is managed by maintaining all deposits in high quality financial institutions and by maintaining diversification of investments, including those held in various securities. Such funds are subject to inherent market fluctuations, which at times, may be significant.

Income Taxes

The Fund has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

The Fund accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Fund include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Fund has determined that such tax positions do not result in an uncertainty requiring recognition.

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Expenses

Expenses have been allocated by function into program, management and general, or fundraising based on estimates made by management.

Use of Estimates in the Preparation of the Financial Statements

Judgment and estimation are exercised by management in certain areas of the preparation of the financial statements. The areas include the recovery period for furniture and equipment and the collectibility of contributions and other receivables. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate, however, actual results could differ from those estimates.

Fair Value Measurements

Assets and liabilities recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value (Note I). Level inputs are defined as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spread, and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

C. INVESTMENTS

Investments at fair value, at June 30, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
CD's	\$ -	\$ 1,000,000
Mutual funds	12,674,954	9,225,137
Equities	12,194,325	8,983,441
Fixed income securities	<u>433,198</u>	<u>8,136,371</u>
	<u>\$25,302,477</u>	<u>\$27,344,949</u>

The Fund's general investment policy is to maintain 40% - 70% in domestic equities, 0% - 20% in international equities, 0% - 5% in global equities, 25% - 60% in fixed income securities and 0% -15% in alternative investments.

Investment income is comprised of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 676,880	\$ 447,305
Realized and unrealized gains - net	<u>4,633,304</u>	<u>2,738,123</u>
	<u>\$5,310,184</u>	<u>\$3,185,428</u>

D. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Contributions receivable (present value)	\$ 2,834,466	\$ 2,931,309
Less: allowance for uncollectible contributions	<u>(125,000)</u>	<u>(133,000)</u>
Net contributions receivable	<u>\$ 2,709,466</u>	<u>\$ 2,798,309</u>

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

D. CONTRIBUTIONS RECEIVABLE - Continued

Expected maturities of contributions receivable at June 30, 2011 were as follows:

Year ended June 30,

2012	\$ 1,303,770
2013	579,528
2014	428,500
2015	251,500
2016	250,500
Thereafter	<u>600,750</u>
Total expected contributions	3,414,548
Less: allowance for net present value	<u>(580,082)</u>
Present value of contributions receivable	<u>\$ 2,834,466</u>

E. ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS

A donor has established a trust held by a third party naming the Fund as a beneficiary of \$1,250,000 upon the death of the designated beneficiary. The Fund has accounted for its interest based upon the present value of the amount to be received. The Fund has accounted for its interest based upon the beneficiary's life expectancy and a 2% discount rate. The present value of such amounts approximated \$1,092,000 and \$1,049,000 at June 30, 2011 and 2010, respectively.

A donor has established an irrevocable trust naming the Fund as a remainder beneficiary of approximately \$227,000. The Fund has accounted for its interest based on the present value of the amount to be received. The Fund has accounted for its interest based upon the beneficiary's life expectancy and a 2% discount rate. The present value of such amounts approximated \$208,000 and \$193,000 at June 30, 2011 and 2010, respectively.

A donor has established a trust held by a third party naming the Fund as the lead beneficiary of a charitable lead annuity trust. Under terms of the split-interest agreement, the Fund is to receive 60% of 5% of the trust assets annually for its unrestricted use for a period of fifteen years. Upon termination of the trust, the remaining trust assets are to be distributed to others. Based upon earnings at an estimated rate of 8.0% over the life of the trust and a 3% discount rate, the present value of future benefits expected to be received by the Fund approximated \$61,000 and \$75,000 at June 30, 2011 and 2010, respectively.

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

E. ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS - Continued

A donor has established a trust irrevocably naming the Fund as a remainder beneficiary of approximately \$580,000. The Fund has accounted for its interest based on the present value of the amount to be received. The Fund has accounted for its interest based upon the beneficiary's life expectancy and a 3% discount rate. The present value of such amounts approximated \$329,000 and \$348,000 at June 30, 2011 and 2010, respectively.

F. PROMISES TO GIVE

Promises to give at June 30, 2011 and 2010 include amounts approved by the Fund's board of directors to be used for various projects, such as research and outreach, and totaled \$510,377 and \$727,397, respectively.

G. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Community outreach	\$ 1,041,929	\$ 894,649
Education	4,392,393	3,689,468
Research	1,507,046	1,304,969
Charity care	2,798,375	2,084,790
Other	4,648,037	3,921,512
Capital	<u>3,203,134</u>	<u>4,103,289</u>
Total temporarily restricted net assets	<u>\$17,590,914</u>	<u>\$15,998,677</u>

Permanently restricted net assets consist of endowment funds (Note J) subject to the restrictions of gift instruments generally requiring that the principal be invested in perpetuity, the income from which is expendable to support the following various purposes:

	<u>2011</u>	<u>2010</u>
Education	\$ 963,223	\$ 963,223
Community outreach	600,000	600,000
Charity care	235,992	235,992
Other	<u>337,925</u>	<u>337,925</u>
Total permanently restricted net assets	<u>\$2,137,140</u>	<u>\$2,137,140</u>

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

G. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS - Continued

Net assets of \$3,239,040 and \$4,093,305 were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2011 and 2010, respectively. The purpose restrictions accomplished were for program expenses.

H. RELATED PARTY TRANSACTIONS

The Fund was formed to extend the ministry of Saint Thomas Health Services.

Promises to give include \$510,377 and \$727,397 approved for projects of Saint Thomas Health Services at June 30, 2011 and 2010, respectively (Note F).

The Fund conducts its operations in office space leased from Saint Thomas Health Services. Total rent paid to Saint Thomas Health Services during each of the fiscal years 2011 and 2010 was \$38,260. The Fund also receives in-kind use of office space at Baptist Hospital with an estimated annual value of \$24,700.

Saint Thomas Health Services makes annual contributions to the Fund in order to defray Fund operating expenses. Such contributions generally approximate one hundred percent of operating expenses excluding investment management fees. Contributions from Saint Thomas Health Services to the Fund were \$1,361,456 and \$1,301,259, including in-kind salaries and employee benefits of \$238,418 and \$238,262 paid by Saint Thomas Health Services on the Fund's behalf, during fiscal 2011 and 2010, respectively.

Accounts receivable - related party totaled \$90,667 and \$67,907 at June 30, 2011 and 2010, respectively. The receivable is from Saint Thomas Health Services for reimbursement of the Fund's operating expenses. Accounts payable - related party totaled \$203,255 and \$715,537 at June 30, 2011 and 2010, respectively. The payable is to Saint Thomas Health Services for grants and expenses paid on the Fund's behalf. Such receivables and payables are netted in the respective year's presentation in the accompanying statements of financial position.

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

I. FAIR VALUES OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Fund's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2011 and 2010 for the assets and liabilities measured at fair value on a recurring basis:

	Assets Measured at <u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2011:</u>				
Contributions receivable	\$ 2,709,466	\$ -	\$2,709,466	\$ -
Investments:				
Mutual funds	12,674,954	12,674,954	-	-
Equities	12,194,325	6,235,594	-	5,958,731
Fixed income securities	<u>433,198</u>	<u>-</u>	<u>63,295</u>	<u>369,903</u>
Total investments	25,302,477	18,910,548	63,295	6,328,634
Assets held under split-interest agreements	1,690,322	-	-	1,690,322
<u>2010:</u>				
Contributions receivable	\$ 2,798,309	\$ -	\$ 2,798,309	\$ -
Investments:				
CD's	1,000,000	1,000,000	-	-
Mutual funds	9,225,137	9,225,137	-	-
Equities	8,983,441	4,245,681	35,115	4,702,645
Fixed income securities	<u>8,136,371</u>	<u>-</u>	<u>8,136,371</u>	<u>-</u>
Total investments	27,344,949	14,470,818	8,171,486	4,702,645
Assets held under split-interest agreements	1,665,414	-	-	1,665,414

Changes in Level 3 assets for the year ended June 30, 2011 are as follows:

	<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>		
	<u>Assets held under split-interest agreements</u>	<u>Investments</u>	
		<u>Equities</u>	<u>Fixed Income</u>
Balance as of June 30, 2010	\$ 1,665,414	\$ 4,702,645	\$ -
Contributions/purchases	-	100,000	360,000
Net gains included in change in net assets	35,615	1,168,586	10,947
Distributions/sales	<u>(10,707)</u>	<u>(12,500)</u>	<u>(1,044)</u>
Balance as of June 30, 2011	<u>\$ 1,690,322</u>	<u>\$ 5,958,731</u>	<u>\$ 369,903</u>

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

I. FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents

Cash equivalents are reflected at carrying value, which is considered fair value.

Investments

The fair value of investments, as disclosed in Note C, has been calculated based on quoted market prices, where available, and on Level 3 inputs.

Grants receivable

The carrying value of grants receivable approximates fair value due to the short-term nature of the receivables.

Contributions receivable

Contributions receivable are recorded at net present value as disclosed in Note D, which approximates their fair value.

Assets under split-interest agreements

Assets under split-interest agreements are recorded at present value as discussed in Note E, which approximates fair value.

Accounts payable, accrued liabilities, deferred grant revenues and promises to give

The carrying value of these items approximates fair value due to the short-term nature of the obligations.

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

J. ENDOWMENT FUNDS

The Fund's endowment consists of individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Fund has interpreted applicable state laws as requiring the preservation 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 Fund 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by applicable state laws. In accordance with applicable state laws, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Fund and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Fund
- The investment policies of the Fund

Endowment Net Asset Composition by Type of fund as of June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$2,960,645	\$2,137,140	\$5,097,785
Board-designated endowment funds	<u>26,068</u>	<u>-</u>	<u>-</u>	<u>26,068</u>
Total funds	<u>\$26,068</u>	<u>\$2,960,645</u>	<u>\$2,137,140</u>	<u>\$5,123,853</u>

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

J. ENDOWMENT FUNDS - Continued

Endowment Net Asset Composition by Type of fund as of June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$1,987,066	\$2,137,140	\$4,124,206
Board-designated endowment funds	<u>22,534</u>	<u>-</u>	<u>-</u>	<u>22,534</u>
Total funds	<u>\$22,534</u>	<u>\$1,987,066</u>	<u>\$2,137,140</u>	<u>\$4,146,740</u>

Changes in Endowment Net Assets for the years ended June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Endowment net assets,</i> June 30, 2009	<u>\$ 19,880</u>	<u>\$ 1,552,135</u>	<u>\$2,120,577</u>	<u>\$ 3,692,592</u>
Investment return:				
Investment income	662	117,695	16,563	134,920
Net appreciation (realized and unrealized)	<u>2,071</u>	<u>358,194</u>	<u>-</u>	<u>360,265</u>
Total investment return	<u>2,733</u>	<u>475,889</u>	<u>16,563</u>	<u>495,185</u>
Contributions	<u>-</u>	<u>42,707</u>	<u>-</u>	<u>42,707</u>
Appropriation of endowment assets for expenditure	<u>(79)</u>	<u>(83,665)</u>	<u>-</u>	<u>(83,744)</u>
<i>Endowment net assets,</i> June 30, 2010	<u>22,534</u>	<u>1,987,066</u>	<u>2,137,140</u>	<u>4,146,740</u>
Investment return:				
Investment income	469	92,969	-	93,438
Net appreciation (realized and unrealized)	<u>3,065</u>	<u>631,926</u>	<u>-</u>	<u>634,991</u>
Total investment return	<u>3,534</u>	<u>724,895</u>	<u>-</u>	<u>728,429</u>
Contributions	<u>-</u>	<u>662,851</u>	<u>-</u>	<u>662,851</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(414,167)</u>	<u>-</u>	<u>(414,167)</u>
<i>Endowment net assets,</i> June 30, 2011	<u>\$ 26,068</u>	<u>\$ 2,960,645</u>	<u>\$2,137,140</u>	<u>\$ 5,123,853</u>

SAINT THOMAS HEALTH SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

J. ENDOWMENT - Continued

Return Objectives and Risk Parameters

The Fund 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 Fund must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of selected markets and various comparative indices as well as the Fund's spending rate, while assuming a moderate level of investment risk. 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 Fund 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). The Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Fund's current policy of appropriating for distribution annually from its endowment fund is at the discretion of the Board of Directors, based on institutional grant requests and Fund objectives, not to exceed 4% of the previous 13 quarter rolling average year-end market values. In establishing this policy, the Fund considered the long-term expected return on its endowment. The Fund's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 8, 2011, the date the financial statements were available for issuance, and has determined there are no subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

SAINT THOMAS HEALTH SERVICES FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Program Award</u>
<u>Federal Awards</u>				
Dept. of Health and Human Services/Tennessee Department of Health *	93.889	34349-2904	07/01/10 to 06/30/11	\$69,612
Dept. of Health and Human Services/Tennessee Department of Health *	93.889	34349-37111	07/01/10 to 06/30/11	82,172
Dept. of Health and Human Services/Tennessee Department of Health *	93.889	34349-17390	08/09/09 to 06/30/10	61,904
Total CFDA #93.889 *				
Dept. of Health and Human Services *	93.912	006RH09544	05/01/10 to 04/30/11	180,000
Dept. of Health and Human Services *	93.912	004RH12765	05/01/10 to 04/30/11	124,656
Dept. of Health and Human Services *	93.912	G98RH19711	09/01/10 to 08/31/11	199,937
Dept. of Health and Human Services *	93.912	D06RH21671	05/01/11 to 04/30/12	180,000
Dept. of Health and Human Services *	93.912	004RH12765	05/01/11 to 04/30/12	175,548
Total CFDA #93.912 *				

*Tested as a major program

<u>July 1, 2010</u> <u>(Accrued) Deferred</u>	<u>Receipts</u>	<u>State</u> <u>Expenditures</u>	<u>Federal</u> <u>Expenditures</u>	<u>June 30, 2011</u> <u>(Accrued) Deferred</u>
\$ -	\$ 69,612	\$ -	\$ 69,612	\$ -
-	82,172	-	81,741	431
<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>
<u>10</u>	<u>151,784</u>	<u>-</u>	<u>151,363</u>	<u>431</u>
-	141,751	-	141,751	-
-	110,674	-	110,674	-
-	108,727	-	108,912	(185)
-	4,432	-	4,432	-
-	8,904	-	8,904	-
<u>-</u>	<u>374,488</u>	<u>-</u>	<u>374,673</u>	<u>(185)</u>

The note to the Schedule of Expenditures of Federal and State Awards is an integral part of this schedule.

SAINT THOMAS HEALTH SERVICES FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued
YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Program Award</u>
<u>Federal Awards</u>				
Dept. of Health and Human Services	93.887	C76HF12950	08/01/09 to 12/31/10	\$517,770
Dept. of Health and Human Services	93.110	H17MC08969-03	03/01/10 to 02/28/11	49,420**
Dept. of Health and Human Services	93.110	H17MC08969-04	03/01/11 to 02/29/12	49,420
Total CFDA #93.110				
ARRA - Dept. of Justice/ State of Tennessee Office of Criminal Justice Programs	16.588	3769	07/01/09 to 04/30/11	57,110
ARRA - Dept. of Justice/ State of Tennessee Office of Criminal Justice Programs	16.588	8126	04/01/10 to 04/30/11	27,112
Total CFDA #16.588				
ARRA - Dept. of Education/ Tennessee Department of Health	84.397	23910	10/01/10 to 06/30/11	73,100
TOTAL FEDERAL AWARDS				

*Tested as a major program

**\$2,681 was carried-over from the fiscal 2010 award to the fiscal 2011 award.

<u>July 1, 2010</u> <u>(Accrued) Deferred</u>	<u>Receipts</u>	<u>State</u> <u>Expenditures</u>	<u>Federal</u> <u>Expenditures</u>	<u>June 30, 2011</u> <u>(Accrued) Deferred</u>
<u>\$(226,209)</u>	<u>\$318,626</u>	<u>\$ -</u>	<u>\$ 92,417</u>	<u>\$ -</u>
-	52,101	-	52,101	-
<u>-</u>	<u>3,023</u>	<u>-</u>	<u>3,023</u>	<u>-</u>
<u>-</u>	<u>55,124</u>	<u>-</u>	<u>55,124</u>	<u>-</u>
1,538	24,952	-	26,348	142
<u>(1,597)</u>	<u>27,113</u>	<u>-</u>	<u>25,428</u>	<u>88</u>
<u>(59)</u>	<u>52,065</u>	<u>-</u>	<u>51,776</u>	<u>230</u>
<u>-</u>	<u>39,227</u>	<u>-</u>	<u>62,056</u>	<u>(22,829)</u>
<u>(226,258)</u>	<u>991,314</u>	<u>-</u>	<u>787,409</u>	<u>(22,353)</u>

The note to the Schedule of Expenditures of Federal and State Awards is an integral part of this schedule.

SAINT THOMAS HEALTH SERVICES FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued
YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Program Award</u>
<u>State Financial Assistance</u>				
Tennessee Dept. of Health	N/A	GR-08-23401-00	07/01/07 to 06/30/08	\$ 125,000
Tennessee Dept. of Health	N/A	GR-09-27128-00	07/01/08 to 06/30/09	58,900
Tennessee Dept. of Health	N/A	23707	07/01/10 to 06/30/11	126,300
Tennessee Dept. of Health	N/A	23708	07/01/10 to 06/30/11	174,075
Tennessee Dept. of Health	N/A	24404	07/01/10 to 06/30/11	92,300
Tennessee Dept. of Health	N/A	19175	01/01/10 to 06/30/10	55,100
Tennessee Dept. of Health	N/A	18028	07/01/09 to 06/30/10	58,900
TOTAL STATE AWARDS				
TOTAL FEDERAL AND STATE AWARDS				

<u>July 1, 2010</u> <u>(Accrued) Deferred</u>	<u>Receipts</u>	<u>State</u> <u>Expenditures</u>	<u>Federal</u> <u>Expenditures</u>	<u>June 30, 2011</u> <u>(Accrued) Deferred</u>
\$ 10,899	\$ -	\$ 10,899	\$ -	\$ -
81,850	-	81,850	-	-
-	63,000	63,000	-	-
-	72,100	72,100	-	-
-	79,500	32,250	-	47,250
(9,424)	36,773	27,349	-	-
<u>58,900</u>	<u>-</u>	<u>58,900</u>	<u>-</u>	<u>-</u>
<u>142,225</u>	<u>251,373</u>	<u>346,348</u>	<u>-</u>	<u>47,250</u>
<u>\$(84,033)</u>	<u>\$1,242,687</u>	<u>\$346,348</u>	<u>\$787,409</u>	<u>\$24,897</u>

NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Tennessee Audit Manual*, on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The note to the Schedule of Expenditures of Federal and State Awards is an integral part of this schedule.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Saint Thomas Health Services Fund
Nashville, Tennessee

We have audited the financial statements of Saint Thomas Health Services Fund (a nonprofit organization) (the "Fund") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 8, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Saint Thomas Health Services Fund
Nashville, Tennessee

Compliance

We have audited Saint Thomas Health Services Fund's (a nonprofit organization) (the "Fund") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Fund's major federal programs for the year ended June 30, 2011. The Fund's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Fund's compliance with those requirements.

In our opinion, the Fund complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Fund is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Fund's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 8, 2011

SAINT THOMAS HEALTH SERVICES FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

SAINT THOMAS HEALTH SERVICES FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2011

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS - Continued

Major Programs:

CFDA Number	Name of Federal Program	Amount Expended
93.889	Hospital Preparedness Program	\$151,363
93.912	Rural Healthcare Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	\$374,673

Dollar threshold used to distinguish between type A
and type B programs

\$300,000

Auditee qualified as low-risk auditee

___ Yes X No

II. FINANCIAL STATEMENT FINDINGS

A. Material Weaknesses in Internal Control
None reported.

B. Compliance Findings
None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.