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DLN: 93493135062112

Department of the Treasury

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

2010

OMB No 1545-0047

▶ The organization may have to use a copy of this return to satisfy state reporting requirements Internal Revenue Service Inspection calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011 A For the 2010 D Employer identification number C Name of organization FLAGSTAFF MEDICAL CENTER B Check if applicable Address change 86-0110232 Doing Business As Name change E Telephone number Initial return Number and street (or P O box if mail is not delivered to street address) Room/suite (928) 779-3366 POST OFFICE BOX 1268 Terminated G Gross receipts \$ 360,008,738 City or town, state or country, and ZIP + 4 FLAGSTAFF, AZ 860021268 Amended return Application pending Name and address of principal officer **H(a)** Is this a group return for affiliates? Yes WILLIAM T BRADEL 1200 N BEAVER ST H(b) Are all affiliates included? FLAGSTAFF, AZ 86001 If "No," attach a list (see instructions) H(c) Group exemption number ▶ Tax-exempt status Website: ► WWW FLAGSTAFFMEDICALCENTER COM K Form of organization
✓ Corporation
☐ Trust
☐ Association
☐ Other ► L Year of formation 1936 M State of legal domicile AZ Summary Part I Briefly describe the organization's mission or most significant activities FLAGSTAFF MEDICAL CENTER WILL IMPROVE THE HEALTH OF THE PEOPLE AND COMMUNITIES WE SERVE Activities & Governance 2 Check this box | if the organization discontinued its operations or disposed of more than 25% of its net assets Number of voting members of the governing body (Part VI, line 1a) . . Number of independent voting members of the governing body (Part VI, line 1b) . 8 0 5 Total number of individuals employed in calendar year 2010 (Part V, line 2a) 434 Total number of volunteers (estimate if necessary) 6 7a Total unrelated business revenue from Part VIII, column (C), line 12 617,481 7a **b** Net unrelated business taxable income from Form 990-T, line 34 7b 0 **Prior Year Current Year** Contributions and grants (Part VIII, line 1h) . 665,692 895,347 Rayenue Program service revenue (Part VIII, line 2g) . 369,897,462 345,652,747 10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) . 6,741,488 4,620,525 1,882,242 1,513,271 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) 11 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12 377,065,921 354,802,853 13 337,801 439,010 Grants and similar amounts paid (Part IX, column (A), lines 1-3). 0 0 14 Benefits paid to or for members (Part IX, column (A), line 4) . 15 Salaries, other compensation, employee benefits (Part IX, column (A), lines Expenses 152,963,112 157,735,070 16a Professional fundraising fees (Part IX, column (A), line 11e) . . 0 0 Total fundraising expenses (Part IX, column (D), line 25) $\blacktriangleright \frac{1,455,953}{}$ b **17** Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f) . 189,171,985 160,572,661 18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25) 342,472,898 318,746,741 19 Revenue less expenses Subtract line 18 from line 12 . 36,056,112 34,593,023 Net Assets or Fund Balances **Beginning of Current End of Year** Year 20 465,795,783 515,025,482 Total assets (Part X, line 16) . 21 Total liabilities (Part X, line 26) . 212,977,202 199,493,255 22 252,818,581 315,532,227 Net assets or fund balances Subtract line 21 from line 20 Signature Block Part II Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge. 2012-05-14 Signature of officer Sign Here GREG KUZMA VICE PRESIDENT/CFO Type or print name and title Print/Type preparer's name Check if self-Preparer's signature Date PTIN employed 🕨 🛭

Firm's address FTWO NORTH CENTRAL AVENUE STE 2300

May the IRS discuss this return with the preparer shown above? (see instructions) $\,$.

PHOENIX, AZ 85004

Firm's name 🕨 ERNST & YOUNG US LLP

Paid

Preparer

Use Only

Phone no 🕨 (602) 322-

Γ

Fım's EIN

Yes

Form	1990 (2010)					Page ∠
Par	Statement Check if Sched			lishments Jestion in this Part III		.
1	Briefly describe the o	organization's missio	n			
FLAC	GSTAFF MEDICAL CE	NTER WILL IMPROV	'E THE HEALTH	OF THE PEOPLE AND	COMMUNITIES WE SERVE	
2	Did the organization i	undertake any signifi	cant program se	ervices during the year	which were not listed on	
		r990-EZ?				Yes 🔽 No
3	Did the organization of	cease conducting, or	make significar	nt changes in how it con	ducts, any program	Yes 「No
	If "Yes," describe the	se changes on Sche	dule O			
4	Section 501(c)(3) an	d 501(c)(4) organiza	itions and section		argest program services by e re required to report the amou ervice reported	
4a	(Code) (Expenses \$	278,457,189	ıncludıng grants of \$	439,010) (Revenue \$	346,730,937)
	SEE SCHEDULE 0					
4b	(Code) (Expenses \$		including grants of \$) (Revenue \$)
4 c	(Code) (Expenses \$		including grants of \$) (Revenue \$)
4d	Other program servi	ıces (Describe in Sc	hedule O)			
	(Expenses \$	inc	cluding grants of	f\$) (Revenue \$)
4e	Total program servi	ce expenses ⊧ \$	278,457,18	9		

Part TV	Checklist of	Required	Schedules
	CHCCKHSCOL	IXCUUII CU	Scriculics

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? $^{f z}$	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I^{\bullet}	3		No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part 1	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II.	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasiendowments? If "Yes," complete Schedule D, Part V	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
а	Did the organization report an amount for land, buildings, and equipment in Part X, line10? If "Yes," complete Schedule D, Part VI.	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.	11b		No
С	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X.	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional	12b	Yes	
13	Is the organization a school described in section 170 (b)(1)(A)(II)? If "Yes," complete Schedule E	13		No
	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If</i> " <i>Yes,"</i> complete Schedule F, Parts I and IV	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $$5,000$ of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $$5,000$ of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Parts III and IV.	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	Yes	
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Par	t IV Checklist of Required Schedules (continued)			
21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b-24d and complete Schedule K. If "No," go to line 25	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	Yes	
C	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? If "Yes," complete Schedule L, Part III	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
а	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part			
		28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b	Yes	
С	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	31		Νo
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Schedule R, Part I	33		No
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	Yes	
а	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2 \bigcirc Yes \square No			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19?	30	Yes	

Form 990 (2010)							Page 5
Part V	Statements Regarding Other IRS Filings and Tax Complia	ance	e					
	Check if Schedule O contains a response to any question in this Part V $$. [~	

			Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable			
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1b 0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b		
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		No
b	If "Yes," enter the name of the foreign country See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	Yes	
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	_		No
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	5c 6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7	Organizations that may receive deductible contributions under section 170(c).	. .	V	
	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a 7b	Yes	
	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to		100	
d	file Form 8282?	7c		N o
е	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			
9	Sponsoring organizations maintaining donor advised funds.	8		
	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10	Section 501(c)(7) organizations. Enter Initiation fees and capital contributions included on Part VIII, line 12 10a			
	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club			
11	Section 501(c)(12) organizations. Enter			
	Gross income from members or shareholders			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)			
	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year			
13	Section 501(c)(29) qualified nonprofit health insurance issuers.			
а	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O	13a		
h	Enter the amount of reserves the organization is required to maintain by the states			
	ın which the organization is licensed to issue qualified health plans			
С	Enter the amount of reserves on hand 13c			
	Did the organization receive any payments for indoor tanning services during the tax year?	14a		No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b	orm 000	(2010)
		F	orm 990	(ZUIU

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

_Se	ection A. Governing Body and Management			
			Yes	No
1.	Enter the number of voting members of the governing body at the end of the tax			
1a	Enter the number of voting members of the governing body at the end of the tax year			
b	Enter the number of voting members included in line 1a, above, who are independent			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
ь	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the			
	year by the following			
а	The governing body?	8a	Yes	
Ь	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No
	ection B. Policies (This Section B requests information about policies not required by the Internal evenue Code.)			
	veriae code.)		Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?			
		11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
С	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
а	The organization's CEO, Executive Director, or top management official	15a	Yes	
ь	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its			
	participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes	
Se	ection C. Disclosure			
17	List the States with which a copy of this Form 990 is required to be filed▶AZ			
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection Indicate how you make these available Check all that apply			
	Own website Another's website 🗸 Upon request			

- Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table
- 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization 🕨 JOHN CORTESE

914 N SAN FRANCISCO SUITE M FLAGSTAFF, AZ 86001

(928) 214-3545

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- ◆ List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's current key employees, if any See instructions for definition of "key employee"
- ◆ List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- ◆ List all of the organization's former directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours		tion (that a	(che		ıII		(D) Reportable compensation from the	(E) Reportable compensation	(F) Estimated amount of other
	per week (describe hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	ighest compensated amployee Key employee Officel		Highest compensated employee Key employee		organization (W- 2/1099-MISC)	from related organizations (W- 2/1099- MISC)	compensation from the organization and related organizations
(1) William Austin MD Director	2 4	х						0	61,400	0
(2) Chris Bavası Director/Chairman	2 5	Х		Х				0	0	0
(3) Gary Christensen MD Director	75	х						0	0	0
(4) Jim Dorman Director/Vice-Chair	3 0	х		х				0	0	0
(5) Wayne Fox Director	1 75	х						0	0	0
(6) L George Hershey DO Director	6	х						0	0	0
(7) Bill Jeffers Director	2 4	х						0	0	0
(8) Bert McKinnon MD Director - NAH Board Chair	2 0	х						0	0	0
(9) Todd Lewis MD Director - Medical Staff Pres	1 0	Х						0	0	0
(10) Robert M Montoya Director	2 75	х						0	0	0
(11) Molly Munger Director	75	Х						0	0	0
(12) Steve Peru Director/Secretary/Treasurer	5	х		х				0	0	0
(13) Richard Hays Director	1 5	Х						0	53,450	0
(14) Guadalupe Woodson FNP Director	18	Х						0	0	0
(15) William T Bradel President/CEO	20 0	х		х				0	617,244	28,446
(16) GREGORY KUZMA VP FINANCE/CFO	20 0			х				0	355,683	51,215

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

per week (describe hours for related organizations	Individual t or director	İnsti			οт				componention
ın Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	from the organization (W- 2/1099-MISC)	from related organizations (W- 2/1099- MISC)	compensation from the organization and related organizations
40 0				х			0	437,766	28,226
40 0				х			0	250,347	94,245
40 0				х			0	221,956	21,727
20 0				х			0	196,224	16,915
40 0				х			0	84,485	5,210
40 0				х			0	122,450	2,708
40 0					Х		0	653,090	31,456
40 0					Х		0	608,380	24,898
40 0					Х		0	600,891	16,739
40 0					Х		0	317,538	26,654
40 0					Х		0	635,884	28,972
			•			>			
o Part VII, Sec	tion A				۰				
						-	0	5 216 788	377,411
_	40 0 20 0 40 0 40 0 40 0 40 0 40 0 40 0	40 0 20 0 40 0 40 0 40 0 40 0 40 0 40 0	40 0 20 0 40 0 40 0 40 0 40 0 40 0 40 0	40 0 20 0 40 0 40 0 40 0 40 0 40 0 40 0	40 0	40 0	40 0	40 0	40 0

\$100,000 in reportable compensation from the organization 191

			Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee			
	on line 1a? If "Yes," complete Schedule I for such individual	3		Νo
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such			
	ındıvıdual	4	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for			
	services rendered to the organization? If "Yes," complete Schedule I for such person	5		Νo

Section B. Independent Contractors

Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Forest Country Anesthesia PO Box 53301 PHOENIX, AZ 85072	MEDICAL SERVICES	2,430,000
CompHealth PO Box 972651 DALLAS, TX 75397	medical services	2,205,836
Critical Care Consultants PO Box 967 FLAGSTAFF, AZ 86002	MEDICAL SERVICES	1,500,000
Carefusion Solutions 25082 Network Place CHICAGO, IL 60673	MEDICAL SERVICES	1,397,103
Northern Arizona Orthopaedics 1485 N Turquoise Drive Ste 200 FLAGSTAFF, AZ 86001	MEDICAL SERVICES	1,348,781
2 Total number of independent contractors (including but not limited to those	e listed above) who received more than	

\$100,000 in compensation from the organization \blacktriangleright 44

eti a	VIII Statement of Reven	ue					
				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	excluded from tax under sections 512, 513, or
	T						514
242	1a Federated campaigns	1 a					
₹등	b Membership dues	. 1b					
56							
ुं के	c Fundraising events	1c	172,445				
<u>, te</u>	d Related organizations	. 1d					
ďΕ	e Government grants (contributions)		133,802				
5 জ	a dovernment grants (contributions)	1e					
更	f All other contributions, gifts, grants		589,100				
and other similar amounts	similar amounts not included above		00.467				
Ę	g Noncash contributions included in li	nes 1a-1f \$	90,467				
3 6	h Total. Add lines 1a-1f			895,347			
			Buginaga Cada				
<u>a</u>			Business Code				
Program Serwce Revenue	Patient Services		622110	31/1 2/10 07/	314,240,974	1	
22	b Pharmacy		446110	3,482,728			
o G	· ·						
ž	C Cafeteria		722310	1,988,139			
B	d Mob/Intercomp Rent		531120	1,522,802			
Ē	e Physician Revenue		900099	23,186,016			
ڪُ ت	f All other program service re	venue		1,232,088	1,207,608	24,480	
ጅ	g Total. Add lines 2a-2f	.		345,652,747			
-				343,032,747			-
	3 Investment income (including		-	2 621 270	222.475	1 220	2 400 25
	and other similar amounts)		-	2,631,378		-1,328	2,400,23
	4 Income from investment of tax-ex	empt bond proceeds		0			
	5 Royalties			0			
		(ı) Real	(II) Personal				
	6a Gross Rents	59,860					
	b Less rental						
	expenses						
	c Rental income or (loss)	59,860					
	d Net rental income or (loss)	 		59,860			59,86
	2 Herranta meeme er (1999)	(ı) Securities	(11) O th a 11	•			
	7a Gross amount	3,921,772	(II) O ther 5,260,000				
	from sales of	3,321,772	3,200,000				
	assets other than inventory						
	b Less cost or		5,071,661				
	other basis and						
	sales expenses • Gain or (loss)	3,921,772	188,339				
	l		100,003	4,110,110			4,110,11
	d Net gain or (loss)			4,110,110			4,110,11
2	8a Gross income from fundraisi	ng events					
-	(not including \$ 172,445						
	of contributions reported on	line 1c)					
Š	See Part IV, line 18						
5		a	123,111				
	b Less direct expenses .	ь	134,224			1	
,	c Net income or (loss) from ful		134,224	-11,113		1	-11,11
				,_		1	
		ectivities See Part IV, line 19 .				1	
	b Less direct expenses .		b	=		1	
	c Net income or (loss) from ga			0]	1
	10a Gross sales of inventory, les	SS				1	
	returns and allowances .	_				1	
		a				1	
	b Less cost of goods sold .					1	
	c Net income or (loss) from sa	les of inventory 🟲		0			
	Miscellaneous Revenue		Business Code				
	11a Non Patient Rooms		900099	232,630	232,630	1	
	b Admin Support Revenue		900099	125,190	125,190		
							-
	c Education Classes		900099	359,679	·		<u> </u>
	d All other revenue	•		747,025	747,025		
	e Total. Add lines 11a-11d			4 464 501			
		▶		1,464,524			
	12 Total revenue. See Instructi	ons -	ļ	_		_	
				354,802,853	346,730,937		6,559,08
	j				, ,		

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

Α	Section 501(c)(3) and 501(c)(4) organizations mus Il other organizations must complete column (A) but are not required to c	•		D).	
	ot include amounts reported on lines 6b, b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	439,010	439,010		<u> </u>
2	Grants and other assistance to individuals in the U.S. See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	5,163,338	4,000,006	1,065,220	98,112
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	117,783,411	111,271,218	6,061,509	450,684
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	10,877,017	10,252,875	582,615	41,527
9	Other employee benefits	6,204,577	5,848,549	332,341	23,687
10	Payroll taxes	17,706,727	16,690,683	948,441	67,603
а	Fees for services (non-employees) Management	520,064	520,064		
b	Legal	434,142		345,808	88,334
C	Accounting	154,903		87,458	67,445
d	Lobbying	6,000		6,000	
e	Professional fundraising services See Part IV, line 17	0			_
f	Investment management fees	47,245		47,245	
g	Other	32,897,126	31,962,296	527,772	407,058
12	Advertising and promotion	711,069	81,562	477,574	151,933
13	Office expenses	63,166,057	62,125,086	1,020,947	20,024
14	Information technology	929,260	929,260		
15	Royalties	0			
16	Occupancy	4,788,954	4,769,754		19,200
17	Travel	272,294	149,209	118,399	4,686
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			· · · · · ·
19	Conferences, conventions, and meetings	285,099	285,099		
20	Interest	3,838,733	•	3,838,733	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	17,550,749	11,850,171	5,689,076	11,502
23	Insurance	747,657	747,657		·
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
а	EXP REIMB TO NAH	30,662,028	15,331,014	15,331,014	
b	CONSULTING	1,340,623	463,712	874,892	2,019
С	RECRUITING	1,257,934	29,508	1,228,426	
d	COLLECTION EXPENSE	575,798	575,798		
e	EMPLOYEE RELATIONS	317,519	65,251	250,129	2,139
f	All other expenses	69,407	69,407		
25	Total functional expenses. Add lines 1 through 24f	318,746,741	278,457,189	38,833,599	1,455,953
26	Joint costs. Check here ► ☐ If following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				m 990 (2010)

Pa	rt X	Balance Sheet					
					(A) Beginning of year		(B) End of year
	1	Cash—non-interest-bearing			34,277,901	1	23,439,862
	2	Savings and temporary cash investments			0	2	25,554,027
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			42,080,529	4	45,992,614
	5	Receivables from current and former officers, directors, trustee highest compensated employees Complete Part II of	s, key	employees, and			
		Schedule L				5	
	6	Receivables from other disqualified persons (as defined under spersons described in section $4958(c)(3)(B)$, and contributing esponsoring organizations of section $501(c)(9)$ voluntary emploorganizations (see instructions)	ers, and				
sts		Schedule L				6	
Assets	7	Notes and loans receivable, net			4,737,754	7	2,099,452
¥	8	Inventories for sale or use			6,622,319	8	6,558,112
	9	Prepaid expenses and deferred charges			2,400,859	9	1,820,964
	10a	Land, buildings, and equipment cost or other basis <i>Complete Part VI of Schedule D</i>	10a	304,644,116			
	b	Less accumulated depreciation	10b	170,226,066	136,999,781	10 c	134,418,050
	11	Investments—publicly traded securities	218,125,021	11	265,742,304		
	12	Investments—other securities See Part IV, line 11	12,521,385	12	1,984,837		
	13	Investments—program-related See Part IV, line 11		13			
	14	Intangible assets				14	_
	15	Other assets See Part IV, line 11	8,030,234	15	7,415,260		
	16	Total assets. Add lines 1 through 15 (must equal line 34) .			465,795,783	16	515,025,482
	17	Accounts payable and accrued expenses .			27,364,100	17	31,701,252
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			130,545,305	20	124,331,342
es.	21	Escrow or custodial account liability Complete Part IV of Schedu	le D			21	
bilities	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified					
Lial		persons Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties	s .		325,134	23	250,551
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities Complete Part X of Schedule D			54,742,663	25	43,210,110
	26	Total liabilities. Add lines 17 through 25			212,977,202	26	199,493,255
-		Organizations that follow SFAS 117, check here ▶	plete	ines 27			_
<u>0</u>		through 29, and lines 33 and 34.					
Balance	27	Unrestricted net assets			252,818,581	27	315,532,227
æ	28	Temporarily restricted net assets				28	
Fund	29	Permanently restricted net assets				29	
Œ		Organizations that do not follow SFAS 117, check here ▶ a	nd con	nplete			
ō		lines 30 through 34.					
£	30	Capital stock or trust principal, or current funds				30	
Assets	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other f	unds		252 - 1 - 1	32	A.E. ====
Net	33	Total net assets or fund balances			252,818,581	33	315,532,227
	34	Total liabilities and net assets/fund balances			465,795,783	34	515,025,482

<u> </u>	Check if Schedule O contains a response to any question in this Part XI				
1	Total revenue (must equal Part VIII, column (A), line 12)	1		354.8	302,853
2	Total expenses (must equal Part IX, column (A), line 25)	2			46,741
3	Revenue less expenses Subtract line 2 from line 1	3		36,0	56,112
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4		252,8	318,581
5	Other changes in net assets or fund balances (explain in Schedule O)	5		26,6	557,534
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6		315,5	32,227
Pai	TEXII Financial Statements and Reporting Check if Schedule O contains a response to any question in this Part XII			୮	
1	Accounting method used to prepare the Form 990 Cash Accrual Other	[Yes	No
	If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O				
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? \cdot .		2a		Νo
b	Were the organization's financial statements audited by an independent accountant?		2b	Yes	
С	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of taudit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O		2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were is	ssued		103	
•	on a separate basis, consolidated basis, or both	Jucu			
	Separate basis Consolidated basis Both consolidated and separated basis				
За	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	e	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the readily or audits, explain why in Schedule O and describe any steps taken to undergo such audits	equired	3b		

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DLN: 93493135062112

Employer identification number

OMB No 1545-0047

Inspection

SCHEDULE A

(Form 990 or 990EZ)

Name of the organization

FLAGSTAFF MEDICAL CENTER

Department of the Treasury Internal Revenue Service

Public Charity Status and Public Support

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

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

86-0110232

Pa	L L	Keasc	on for Pu	DIIC Charity Stat	tus (All organizations	must complete this p	art.) See instruc	tions		
he d	organız	zation is i	not a privat	e foundation becaus	eıtıs (Forlines 1 throu	gh 11, check only one bo	ox)			
1	Г	A churc	h, conventi	on of churches, or as	ssociation of churches de	escribed in section 170(b	o)(1)(A)(i).			
2	Γ	A schoo	l described	I in section 170(b)(1)(A)(ii). (Attach Schedu	ile E)				
3	~	A hospit	tal or a coo	perative hospital sei	rvice organization descri	bed in section 170(b)(1)	(A)(iii).			
4	Γ			n organization operat ty, and state	ed in conjunction with a	hospital described in sec	tion 170(b)(1)(A)((iii). Ente	r the	
5	Γ	An orga	nızatıon ope	erated for the benefit	t of a college or universit	y owned or operated by a	a governmental unit	describe	d in	
		sect ion	170(b)(1)(A)(iv). (Complete Pa	art II)					
6	Γ	A federa	al, state, or	local government or	governmental unit desc	ribed in section 170(b)(1	.)(A)(v).			
7	Γ	describe	ed in	at normally receives A)(vi) (Complete Pa	•	support from a governme	ntal unit or from the	e general	public	
8	Г				170(b)(1)(A)(vi) (Com	nplete Part II)				
9	į.		•			of its support from contrib	butions, membershi	p fees, aı	nd aros	S S
	,	_				to certain exceptions, a			_	
					•	ss taxable income (less :	` '			
			3			6 09(a)(2). (Complete Par	•			
10	Г					oublic safety See section				
11	, T	_	_	•		efit of, to perform the fund		out the	purpos	es of
e	Γ	the box a T By chec	that descri Type I king this bo	bes the type of supp b Type II ox, I certify that the	orting organization and c I c Type III organization is not contr	on 509(a)(1) or section of complete lines 11e through - Functionally integrated olled directly or indirectl	gh 11h d d / y by one or more dı	Type III squalified	- Oth	ner ons
			an foundati 509(a)(2)	on managers and oth	ner than one or more pub	licly supported organizat	ions described in s	ection 50)9(a)(1	.) or
f		If the or	ganızatıon	received a written de	etermination from the IRS	S that it is a Type I, Type	e II or Type III sup	porting o	rganız	atio <u>n,</u>
		check th		2006 has the organi	zation accepted any diff	or contribution from any	of the			ļ
g			g persons?	.000, has the organi	zation accepted any gift	or contribution from any	or the			
		(i) a per	son who du	rectly or indirectly c	ontrols, either alone or to	ogether with persons des	cribed in (ii)		Yes	No
		and (III)	below, the	governing body of th	e the supported organiza	tion?		11g(i)		
		(ii) a far	mily membe	er of a person describ	bed in (i) above?			11g(ii)		
		(iii) a 3	5% control	led entity of a persoi	n described in (i) or (ii) a	bove?		11g(iii)		
h		Provide	the followin	ng information about	the supported organizati	on(s)				
	(i) Name suppor rganiza	of rted	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see	(iv) Is the organization in col (i) listed in your governing document?	(v) Did you notify the organization in col (i) of your support?	(vi) Is the organization in col (i) organized in the US?	1	A mou	ii) unt of port

(i) Name of supported organization	(ii) EIN	Type of organization (described on lines 1- 9 above or IRC section (see	Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organizati col (i) orga in the U	on in anized	(vii) A mount of support
		inst ruct ions))	Yes	No	Yes	No	Yes	No	
-									
Total									

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1) (A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

<u> </u>	ection A. Public Support		and to quanty t			out complete	
	endar year (or fiscal year beginning						
Care	in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1	Gifts, grants, contributions, and						
	membership fees received (Do not						
	ınclude any "unusual						
	grants ")						
2	Tax revenues levied for the						
	organization's benefit and either						
	paid to or expended on its						
_	behalf						
3	The value of services or facilities						
	furnished by a governmental unit to						
_	the organization without charge						
4	Total. Add lines 1 through 3						
5	The portion of total contributions						
	by each person (other than a						
	governmental unit or publicly						
	supported organization) included on line 1 that exceeds 2% of the						
	amount shown on line 11, column						
	(f)						
6	Public Support. Subtract line 5 from						
Ū	line 4						
S	ection B. Total Support		<u> </u>	I I.			
	endar year (or fiscal year beginning						
	ın) >	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7	A mounts from line 4						
8	Gross income from interest,						
Ū	dividends, payments received on						
	securities loans, rents, royalties						
	and income from similar						
	sources						
9	Net income from unrelated						
	business activities, whether or						
	not the business is regularly						
	carried on						
10	Other income Do not include gain						
	or loss from the sale of capital						
	assets (Explain in Part IV)						
11	Total support (Add lines 7						
	through 10)					<u> </u>	
12	Gross receipts from related activiti	es, etc (See inst	ructions)			12	
13	First Five Years If the Form 990 is t	for the organizati	on's first, second	, thırd, fourth, or	fifth tax year as a	501(c)(3) organı	
	check this box and stop here						►
	-tiC Ct-ti	L'a Carana at B					
<u> </u>	ection C. Computation of Pub Public Support Percentage for 2010			11 column (f))			
	· ·		•	II Column (1))		14	
15	Public Support Percentage for 2009	Schedule A, Pa	rt II, line 14			15	
16a	33 1/3% support test—2010. If the				line 14 is 33 1/3%	or more, check	
_	and stop here. The organization qua						▶ □
b	33 1/3% support test—2009. If the				5a, and line 15 is 3	33 1/3% or more,	- -
	box and stop here. The organization				45.46		►
1/a	10%-facts-and-circumstances test-						
	is 10% or more, and if the organization made						rt a d
	in Part IV how the organization mee	ts the "racts and	circumstances"	test ine organiz	ration qualifies as	a publicly suppo	
L	organization	_2000 If+ba a	anization did not	chack a hay an l	no 12 165 166 -	r 17a and line	► □
D	10%-facts-and-circumstances test- 15 is 10% or more, and if the organ						
	Explain in Part IV how the organization						V
	supported organization	aon meets the 10	acts and circuilis	tances test file	z organizacion qual	mes as a publici	y ▶[¯
18	Private Foundation If the organizati	on did not check	a box on line 13	. 16a. 16b. 17a o	r 17b, check this	box and see	- 1
	instructions	on ala not check	a box on fine 15	, 100, 100, 1700	I by check tills	SON GING SCC	▶ □

organization

Part III Support Schedule for Organizations Described in Section 509(a)(2) (Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.) Section A. Public Support Calendar year (or fiscal year beginning (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total ın) 🟲 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants") Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose Gross receipts from activities that are not an unrelated trade or business under section 513 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf The value of services or facilities furnished by a governmental unit to the organization without charge Total. Add lines 1 through 5 7a Amounts included on lines 1, 2, and 3 received from disqualified Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year c Add lines 7a and 7b Public Support (Subtract line 7c from line 6) Section B. Total Support Calendar year (or fiscal year beginning (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total in) 9 Amounts from line 6 Gross income from interest, 10a dividends, payments received on securities loans, rents, royalties and income from similar sources Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 Add lines 10a and 10b C Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on Other income Do not include 12 gain or loss from the sale of capital assets (Explain in Part IV) Total support (Add lines 9, 10c, 11 and 12) First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here Section C. Computation of Public Support Percentage Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f)) 15 16 Public support percentage from 2009 Schedule A, Part III, line 15 16 Section D. Computation of Investment Income Percentage Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f)) 17 **17** Investment income percentage from 2009 Schedule A, Part III, line 17 18 18 19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported

33 1/3% support tests-2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line

18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

▶□

Part IV

Supplemental Information. Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Schedule A (Form 990 or 990-EZ) 2010

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DLN: 93493135062112

OMB No 1545-0047

Political Campaign and Lobbying Activities **SCHEDULE C**

(Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

For Organizations Exempt From Income Tax Under section 501(c) and section 527 ► Complete if the organization is described below.

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

Inspection
If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities),
then
◆ Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
◆ Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
◆ Section 527 organizations Complete Part I-A only
If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then
◆ Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
• Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A
If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35a (Proxy Tax), then
• Section 501(c)(4), (5), or (6) organizations. Complete Part III

	ction 527 organizations Complete Part I-A only					
SeSeIf the	e organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 4 ction 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part ction 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complet e organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Potion 501(c)(4), (5), or (6) organizations Complete Part III	: II-A [e Part	Oonotco ∥-B Do	omplet not co	e Part II-B mplete Part	II-A
Na	me of the organization GSTAFF MEDICAL CENTER		•		ition numbe	er
Dar	t I-A Complete if the organization is exempt under section 501(c) or is a		110232 on 52		anizatio	n
1 2 3	Provide a description of the organization's direct and indirect political campaign activities in Pai Political expenditures		<u> </u>	\$	jumzucio	
	t I-B Complete if the organization is exempt under section 501(c)(3).			_		
1	Enter the amount of any excise tax incurred by the organization under section 4955		•	\$		
2 3	Enter the amount of any excise tax incurred by organization managers under section 4955 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?		•	\$ <u></u>	☐ Yes	┌ No
4a b	Was a correction made? If "Yes," describe in Part IV				☐ Yes	┌ No
	t I-C Complete if the organization is exempt under section 501(c) except	secti	ion 50	1(c)	(3).	
1 2	Enter the amount directly expended by the filing organization for section 527 exempt function ac Enter the amount of the filing organization's funds contributed to other organizations for section exempt funtion activities		s 🕨	\$ <u>_</u>		
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line	17b	•	\$ <u></u>		
4	Did the filing organization file Form 1120-POL for this year?				☐ Yes	┌ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organization made payments. For each organization listed, enter the amount paid from the filing amount of political contributions received that were promptly and directly delivered to a separat separate segregated fund or a political action committee (PAC). If additional space is needed, p	organı e polit	zatıon's ıcal org	funds anızat	Also ente ion, such a	r the

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

Р	art II-A Complete if the organization under section 501(h)).	is exempt under section 501(c)(3)	and filed Form 5768	(election
	Check If the filing organization belongs to a Check If the filing organization checked bo	n affiliated group x A and "limited control" provisions apply		
	Limits on Lobbying E (The term "expenditures" means ar		(a) Filing O rganization's Totals	(b) Affiliated Group Totals
1a	Total lobbying expenditures to influence public o	pınıon (grass roots lobbyıng)		
b	Total lobbying expenditures to influence a legisl	ative body (direct lobbying)		
C	Total lobbying expenditures (add lines 1a and 1	o)		
d	O ther exempt purpose expenditures			
е	Total exempt purpose expenditures (add lines 1	c and 1d)		
f	Lobbying nontaxable amount Enter the amount to columns	rom the following table in both		
	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:		
	Not over \$500,000	20% of the amount on line 1e		
	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000		
	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000		
	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000		
	Over \$17,000,000	\$1,000,000		
	Grassroots nontaxable amount (enter 25% of lir	e 1f)		
h	Subtract line 1g from line 1a If zero or less, ent	er -0 -		
i	Subtract line 1f from line 1c If zero or less, ente	r-0-		
j	If there is an amount other than zero on either lii section 4911 tax for this year?	ne 1h or line 1i, did the organization file Form	4720 reporting	┌ Yes ┌ No

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

	Lobbying Expenditures During 4-Year Averaging Period						
	Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total	
2a	Lobbying non-taxable amount						
b	Lobbying ceiling amount (150% of line 2a, column(e))						
c	Total lobbying expenditures						
d	Grassroots non-taxable amount						
e	Grassroots ceiling amount (150% of line 2d, column (e))						
f	Grassroots lobbying expenditures						

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

		(8	1)	(b)	
		Yes	No	Amount	
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
а	Volunteers?		No		
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No		
C	Media advertisements?		No		
d	Mailings to members, legislators, or the public?		No		
е	Publications, or published or broadcast statements?		No		
f	Grants to other organizations for lobbying purposes?	Yes		25,636	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No		
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No		
i	O ther activities? If "Yes," describe in Part IV				
j	Total lines 1c through 1i			25,636	
2a	Did the activities in line 1 cause the organization to be not described in section $501(c)(3)$?		No		
b	If "Yes," enter the amount of any tax incurred under section 4912				
C	If "Yes," enter the amount of any tax incurred by organization managers under section 4912		F		
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

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

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

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

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
а	Current year	2a	
b	Carryover from last year	2b	
C	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess		

If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?
 Taxable amount of lobbying and political expenditures (see instructions)

5

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
· ·	EXPLANATION	FLAGSTAFF MEDICAL CENTER PAID DUES TO THE ARIZONA HOSPITAL AND HEALTHCARE ASSOCIATION A PERCENTAGE OF THIS AMOUNT OR \$6,000 WAS ESTIMATED TO BE ATTRIBUTABLE TO LOBBYING RELATED TO HEALTH CARE ADVOCACY AT THE FEDERAL, STATE, REGIONAL AND LOCAL LEVELS FLAGSTAFF MEDICAL CENTER ALSO PARTICIPATES IN HEALTHCARE-RELATED LOBBYING ACTIVITIES THROUGH THE SOLE COMMUNITY HOSPITAL COALITION

DLN: 93493135062112

OMB No 1545-0047

SCHEDULE D (Form 990)

Department of the Treasury

Supplemental Financial Statements

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

Open to Public

tema	l Revenue Service	► Attach to Fo	orm 990. ► See separate instructions.			Inspect	ion
	me of the organ			Empl	oyer identificati	on numbe	r
FLA	GSTAFF MEDICAL C	ENTER		86-0	110232		
Pa	rt I Organ	nizations Maintaining Donor Ac	dvised Funds or Other Similar F			Complet	e if the
	organı	zation answered "Yes" to Form 99					
_			(a) Donor advised funds	(b) Funds and oth	ner accou	nts
L	Total number a	·					
2		ntributions to (during year)					
5 4		nts from (during year)					
4		ue at end of year		<u> </u>			
5		zation inform all donors and donor advious organization's property, subject to the o	isors in writing that the assets held in don organization's exclusive legal control?	ior advis	sed	☐ Yes	┌ No
5	used only for o		donor advisors in writing that grant funds efit of the donor or donor advisor, or for a			┌ Yes	┌ No
Pa	rt III Conse	rvation Easements. Complete	ıf the organization answered "Yes" t	o Form	1 990, Part IV,	lıne 7.	
L	_ ' ' '	conservation easements held by the or					
	<u> </u>	tion of land for public use (e g , recreati n of natural habitat	on or pleasure)				a
	•		Preservation of a c	certified	i mistoric structu	ire	
		tion of open space		_			
2		s 2a–2d if the organization held a quali the last day of the tax year	ified conservation contribution in the form	ofaco	nservation		
					Held at the E	nd of the	Year
а	Total number	of conservation easements		2a			
b	Total acreage	restricted by conservation easements		2b			
С	Number of con	nservation easements on a certified his	toric structure included in (a)	2c			
d	Number of con	nservation easements included in (c) ac	cquired after 8/17/06	2d			
3	Number of con	nservation easements modified, transfe	erred, released, extinguished, or terminate	ed by the	e organization di	uring	
	the taxable ye	ear 🕨					
1	Number of star	tes where property subject to conserva	ation eacement is located .				
			g the periodic monitoring, inspection, hand	— dling of	violations and		
,		of the conservation easements it holds?		uning or	violations, and	┌ Yes	┌ No
5		5, 1	pecting and enforcing conservation easem		<i>,</i> -		
-			ng, and enforcing conservation easements		the year 🟲 \$		
3	170(h)(4)(B)(ı	ı) and 170(h)(4)(B)(ıı)?	2(d) above satisfy the requirements of sec			┌ Yes	┌ No
9	balance sheet		onservation easements in its revenue and the footnote to the organization's financial nents				
ar		nizations Maintaining Collectio lete if the organization answered "	rns of Art, Historical Treasures, "Yes" to Form 990, Part IV, line 8.	or Oth	ner Similar A	ssets.	
La	art, historical	treasures, or other similar assets held	116, not to report in its revenue stateme for public exhibition, education or resear nancial statements that describes these it	ch ın fur			·,
b	historical trea		116, to report in its revenue statement a public exhibition, education, or research i s				
	(i) Revenues	included in Form 990, Part VIII, line 1			► \$		
	(ii) Assets inc	cluded in Form 990, Part X			 - \$		
2		·	orical treasures, or other similar assets fo	or financ			
_		unts required to be reported under SFAS					
а	Revenues incl	uded in Form 990, Part VIII, line 1			F \$		

Assets included in Form 990, Part X

Part	•••• Organizations Maintaining Co	llections of Art	<u>, His</u>	<u>tori</u>	<u>cal Tre</u>	asures	<u>s, or Othe</u>	<u>r Similar</u>	· Asse	e ts (co	ntınued)
3	Using the organization's accession and othe items (check all that apply)	r records, check an	y of th	ne foll	owing th	at are a	sıgnıfıcant u	ise of its co	llectio	n	
а	Public exhibition		d	Γ	Loan or	rexchan	ge programs	i			
b	Scholarly research		e	Γ	Other						
С	Preservation for future generations										
4	Provide a description of the organization's co	ollections and expla	ın hov	w they	/ further	the orga	nızatıon's ex	kempt purp	ose in		
5	During the year, did the organization solicit of assets to be sold to raise funds rather than t							nılar	Г	Yes	┌ No
Par	Escrow and Custodial Arrang Part IV, line 9, or reported an an	ements. Comple	ete ıf	the	organiza	ation ai		es" to For	m 990),	·
1a	Is the organization an agent, trustee, custoc included on Form 990, Part X?	ian or other interme	ediary	for c	ontributi	ons or o	ther assets	not	Г	Yes	┌ No
b	If "Yes," explain the arrangement in Part XIV	/ and complete the	follow	/ıng ta	able				Amoi	ınt	
С	Beginning balance						1c		Aiilo	4116	
d	Additions during the year						1d				
e	Distributions during the year						1e				
f	Ending balance						1f				
2a	Did the organization include an amount on Fo	orm 990 . Part X. lin	e 21?					l	Г	Yes	┌ No
	If "Yes," explain the arrangement in Part XIV	•							,		,
	rt V Endowment Funds. Complete		n ans	were	ed "Yes'	" to For	m 990. Pai	rt IV. line	10.		
		(a)Current Year)Prior				Three Years		e)Four Y	ears Back
1a	Beginning of year balance	1,950,655		1	,706,509		1,227,217				
b	Contributions	1,285,728			521,365		734,776				
C	Investment earnings or losses	130,323			77,663		17,197				
d	Grants or scholarships	319,442			242,115		52,946				
e	Other expenditures for facilities and programs	537,702			67,946		173,685				
f	Administrative expenses	83,010			44,821		46,050				
g	End of year balance	2,426,552		1	,950,655		1,706,509				
2	Provide the estimated percentage of the yea	r end balance held a	as								
а	Board designated or quasi-endowment 🕨	74 400 %									
b	Permanent endowment > 25 600 %										
c	Term endowment ▶ 0 %										
3a	Are there endowment funds not in the posse	ssion of the organiz	ation	that a	re held a	and adm	nıstered for	the			
	organization by							,		Yes	No
	(i) unrelated organizations			•					3a(i)		No
_	(ii) related organizations								3a(ii)	<u> </u>	No
	If "Yes" to 3a(II), are the related organizatio	•							3b		
4	Describe in Part XIV the intended uses of th					0 D 1	V. I 40				
Par	t VI Investments—Land, Building	s, and Equipme	nt. S								
	Description of investment				Cost or oth		Cost or other asis (other)	(c) Accumu depreciat		(d) Boo	ok value
1a	Land		•			0	4,474,022				4,474,022
b	Buildings		•			0	171,108,382	81,62	7,695	8	9,480,687
c	Leasehold improvements					0	1,043,860	61	2,409		431,451
d I	Equipment					0	118,931,084	86,06	0,962	3.	2,870,122
	Other	<u> </u>				0	9,086,768	1,92	5,000		7,161,768
Tota	I. Add lines 1a-1e <i>(Column (d) should equal Fo</i>	orm 990, Part X, colur	nn (B)	, line	10(c).)			►		13	4,418,050
								Sched	ule D (I	Form 9	90) 2010

Part VII Investments—Other Securities. See	Form 990, Part X, line 12		
(a) Description of security or category (including name of security)	(b)Book value		od of valuation f-year market value
(1)Financial derivatives		Cost of ella-of	- year market value
(2)Closely-held equity interests			
Other			
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)			
Part VIII Investments—Program Related. See	Form 990, Part X, line :		od of valuation
(a) Description of investment type	(b) Book value		f-year market value
			•
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)			
Part IX Other Assets. See Form 990, Part X, lir			
(a) Descrip	ption		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1	5.)		
Part X Other Liabilities. See Form 990, Part X			
1 (a) Description of Liability	(b) A mount		
Federal Income Taxes	0		
Unemployment	45,663		
BCBS IBNR	2,691,576		
BioMed Reserve	178,000		
Workman's Comp Liability	48,798		
CBO Perot Reserve	225,000		
Other Current Liabilities	630,617		
PROFESSIONAL AND GENERAL LIABILITY	2,424,384		
Additional Minimum Pension Liability	36,966,072		
	30,300,072		
Total. (Column (b) should equal Form 990, Part X, col (B) line 25) ▶	43,210,110		

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	
Part	Reconciliation of Revenue per Audited Financial Statements With Revenue p	er Re	turn
1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
а	Net unrealized gains on investments 2a		
b	Donated services and use of facilities		
c	Recoveries of prior year grants		
d	Other (Describe in Part XIV)		
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
а	Investment expenses not included on Form 990, Part VIII, line 7b . 4a		
b	Other (Describe in Part XIV) 4b		
c	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	
Part	Reconciliation of Expenses per Audited Financial Statements With Expenses	per F	leturn
1	Total expenses and losses per audited financial	₁	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	-	
a	Donated services and use of facilities		
b	Prior year adjustments	1	
c	Other losses	1	
d	Other (Describe in Part XIV) 2d	1	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b 4a		
b	Other (Describe in Part XIV) 4b	-	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	
	t XIV Supplemental Information	1 - 1	
	uplete this part to provide the descriptions required for Part II lines 3.5 and 9. Part III lines 1a and 4. Pa	art IV li	nes 1 b and 2 b

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

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

Identifier	Return Reference	Explanation
SCHEDULE D, PART V, LINE 4	FUNDS	MOST OF THE CURRENT ENDOWMENTS ARE BOARD DESIGNATED CURRENTLY 5% OF THESE FUNDS ARE DESIGNATED FOR DISTRIBUTION BY THE FLAGSTAFF MEDICAL CENTER FOUNDATION COMMITTEE SUCH DISTRIBUTIONS SHOULD 1) ADDRESS COMMUNITY HEALTH CARE NEEDS, 2) ADHERE TO THE CORE MISSION OF THE HOSPITAL, OR 3) REFLECT PROJECTS THAT ARE DEEMED IN THE BEST INTEREST OF THE HOSPITAL
SCHEDULE D, PART X, LINE 2	UNDER FIN 48 (ASC 740)	IN ACCORDANCE WITH ACCOUNTING GUIDANCE, MANAGEMENT HAS REVIEWED ALL OPEN TAX YEARS AND HAS DETERMINED THAT THE CORPORATION HAS NO SIGNIFICANT UNCERTAIN TAX POSITIONS

Additional Data

Software ID: Software Version:

EIN: 86-0110232

Name: FLAGSTAFF MEDICAL CENTER

Form 990, Schedule D, Part X, - Other Liabilities

1 (a) Description of Liability	(b) A mount
Unemployment	45,663
BCBS IBNR	2,691,576
BioMed Reserve	178,000
Workman's Comp Liability	48,798
CBO Perot Reserve	225,000
Other Current Liabilities	630,617
PROFESSIONAL AND GENERAL LIABILITY	2,424,384
Additional Minimum Pension Liability	36,966,072

DLN: 93493135062112

OMB No 1545-0047

Department of the Treasury

Internal Revenue Service

(Form 990 or 990-EZ)

SCHEDULE G

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a. Attach to Form 990 or Form 990-EZ. See separate instructions.

Name of the organization **Employer identification number** FLAGSTAFF MEDICAL CENTER 86-0110232 Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17. Indicate whether the organization raised funds through any of the following activities. Check all that apply Mail solicitations e Solicitation of non-government grants Solicitation of government grants Internet and e-mail solicitations Phone solicitations Special fundraising events In-person solicitations Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization Form 990-EZ filers are not required to complete this table (i) Name and address of (ii) Activity (iii) Did (iv) Gross receipts (v) A mount paid to (vi) A mount paid to ındıvıdual fundraiser have from activity (or retained by) (or retained by) or entity (fundraiser) custody or fundraiser listed in organization control of col (i) contributions? Yes List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

			(a) Event #1 Turquoise Ball	(b) Event #2 Holes for Heart	(c) Other Events	(d) Total Events (Add col (a) through col (c))
			(event type)	(event type)	(total number)	cor (c) /
Мче	1	Gross receipts	173,590	60,200	61,766	295,556
Revenue	2	Less Charitable contributions	145,280	10,000	17,165	172,445
	3	Gross income (line 1 minus line 2)	28,310	50,200	44,601	123,111
	4	Cash prizes	10,000	1,900	0	11,900
5	5	Non-cash prizes	1,375	0	2,474	3,849
es:	6	Rent/facility costs	5,000	5,700	10,334	21,034
Expenses	7	Food and beverages	13,000	5,800	0	18,800
Direct	8	Entertainment	5,300	0	0	5,300
ā	9	Other direct expenses .	48,501	3,981	20,859	73,341
	10	Direct expense summary Add lir	nes 4 through 9 ın column	(d)	🕨	134,224
	11	Net income summary Combine li	nes 3 and 10 in column (c	d)	•	-11,113
Par	t III	Gaming. Complete if the o \$15,000 on Form 990-EZ, li		'Yes" to Form 990, Pai	rt IV, line 19, or repoi	rted more than
Reveilue			(a) Bingo l	(b) Pull tabs/Instant pingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
Revenue	1 (Gross revenue		• •	(c) Other gaming	(Add col (a) through
		Gross revenue		• •	(c) Other gaming	(Add col (a) through
penses Revenue	2			• •	(c) Other gaming	(Add col (a) through
Expenses	3	Cash prizes		• •	(c) Other gaming	(Add col (a) through
Expenses	2 ³ ⁴	Cash prizes		• •	(c) Other gaming	(Add col (a) through
Expenses	2 (3) 4) 5 (Cash prizes Non-cash prizes Rent/facility costs		oingo/progressive bingo	(c) Other gaming Yes	(Add col (a) through
Expenses	2 (3 4 5 (6) 7	Cash prizes Non-cash prizes Rent/facility costs Other direct expenses Volunteer labor Direct expense summary Add line		□ Yes% □ No	Г Yes% Г No	(Add col (a) through
Expenses	2 (3 4 5 (6) 7	Cash prizes Non-cash prizes Rent/facility costs Other direct expenses Volunteer labor		□ Yes% □ No	Г Yes% Г No	(Add col (a) through
Expenses	2 4 5 6 7 8 Ente	Cash prizes Non-cash prizes Rent/facility costs Other direct expenses Volunteer labor Direct expense summary Add line Net gaming income summary Comer the state(s) in which the organize	Yes%_ No s 2 through 5 in column (continue lines 1 and 7 in column ation operates gaming act	Yes	Г Yes	(Add col (a) through col (c))
Direct Expenses	2	Cash prizes Non-cash prizes Rent/facility costs Other direct expenses Volunteer labor Direct expense summary Add line	Yes%_ No s 2 through 5 in column (on the lines 1 and 7 in column ation operates gaming activities in each	T Yes	Г Yes%_ Г No	· Fyes No

11	Does the organization operate ga	aming activities with nonmembers? .		$\Gamma_{ m Yes}$ $\Gamma_{ m No}$
12	Is the organization a grantor, be	neficiary or trustee of a trust or a mem	ber of a partnership or other entity	
	formed to administer charitable o	gaming?		. Г _{Yes} Г _{No}
13	Indicate the percentage of gamir	ng activity operated in		
а	The organization's facility		13a	
b	An outside facility		13b	
14	Provide the name and address of records	f the person who prepares the organiza	tion's gaming/special events books and	
	Name 🟲			
	Address 🟲			
15a	Does the organization have a co	ntract with a third party from whom the	organization receives gaming	
	-	· ·		. Γ_{Yes} Γ_{No}
b			tion 🟲 \$ and the	, , , , , , , , , , , , , , , , , , , ,
	amount of gaming revenue retain	ned by the third party 🟲 \$		
c	If "Yes," enter name and address	s		
	Name 🟲			
	Address ►			
16	Gaming manager information			
	Name 🟲			
	Gaming manager compensation I	> \$		
	Description of services provided			
	Director/officer	□ Employee	Independent contractor	
17	Mandatory distributions			
а		er state law to make charitable distribu		
				Tyes No
b		required under state law distributed t	o other exempt organizations or spent	
D		activities during the tax year \$	reconnect to question on Cohedule C./	
Pa	t IV Complete this part to proceed instructions.)	provide additional information for	responses to question on Schedule G (see
	Identifier	ReturnReference	Explanation	

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DLN: 93493135062112

OMB No 1545-0047

Open to Public Inspection

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

Name of the organization FLAGSTAFF MEDICAL CENTER

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

Hospitals

Employer identification number

					86-	0110232			
Pä	art I Financial Assista	nce and C	ertain Oth	er Community Be	nefits at Cost				
								Yes	No
1a	<u>-</u>				f "No," skip to questio	n 6 a .	1a	Yes	
b	If "Yes," is it a written policy						1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year								
	Applied uniformly to all hospitals Generally tailored to individual hospitals								
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year								
а	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>fre</i> e care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care						3a	Yes	
	Γ 100% Γ 150%		00% F	Other	125. %				
h	Does the organization use FP					dividuals 2 If			
	"Yes," indicate which of the fo			=			3b	Yes	
		_	_	. <u> </u>	<u></u>	0.04	30	165	
	200% 250%	1 30	00% I	350%	0% V Other_	0 %			
С	If the organization does not u determining eligibility for free test or other threshold, regard	or discounte	d care Inclu	de in the description w	hether the organizatior				
4	Did the organization's financi					urıng the tax year	4		Νo
5a	provide for free or discounted Did the organization budget amount			_		v vear?			İ
b	If "Yes," did the organization						5a	Yes	N
c	If "Yes" to line 5b, as a resul		•		_		5b		No
Ĭ	care to a patient who was elig						5с		
6a	Does the organization prepare		-	ort during the tax			6a	Yes	
6b	year? If "Yes," did the organization			ublic?			6b	Yes	
	Complete the following table worksheets with the Schedule		ksheets prov	rided in the Schedule H	instructions Do not s	ubmit these			
7	Financial Assistance and C	ertain Other	Community I	Benefits at Cost		•			
	Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community b expense	enefit	(f) Perototal ex	
а	Financial Assistance at cost (from Worksheets 1 and 2)			965,970	0	96	5,970	0	300 %
b	Unreimbursed Medicaid (from			,					200 %
с	Worksheet 3, column a) Unreimbursed costs—other means-tested government programs (from Worksheet 3,			87,612,347	42,326,000	45,28	0,347	14	200 %
_	column b)			0	0		0		0 %
d	Total Financial Assistance and Means-Tested Government Programs			88,578,317	42,326,000	46,25	2,317	14	500 %
e	Other Benefits Community health improvement services and community benefit operations (from								
f	(Worksheet 4)			1,333,128	261,467	1,07	1,661	0	340 %
	(from Worksheet 5)			664,652	0	66	4,652	0	210 %
g	Subsidized health services (from Worksheet 6)			2,305,313	0	2,30	5,313	0	720 %
h	Research (from Worksheet 7)			0	0		0		0 %
	Cash and in-kind contributions to community groups (from Worksheet 8)			438,003	0		8,003		140 %
-	Total Other Benefits Total. Add lines 7d and 7j			4,741,096 93,319,413	261,467 42,587,467	4,47 50,73	9,629		410 % 910 %
ĸ	Total. Add lines /d and /j			93,319,413	42,367,467	50,73	1,740	12	910 %

Pa	rt II Community Building activities during the of the communities i	tax year, an								ealth
		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	1 ' '	rect offse revenue	(e) Net community building expense		(f) Perc total ex	
1	Physical improvements and housing	, , ,								
2	Economic development									
3	Community support									
4	Environmental improvements									
5	Leadership development and training									
6	for community members Coalition building									
7	Community health improvement									
8	Workforce development							+		
9	Other									
10	Total									
Pai	t IIII Bad Debt, Medicar	e, & Collec	tion Practic	es						
Sect	ion A. Bad Debt Expense								Yes	No
1	Did the organization report bac		e in accordance	e with Heathcare Fii	nancıal M	anagen	nent Association	1	Yes	
2	Statement No 15? Enter the amount of the organi		eht evnense (a	t cost)		 ₂	13,162,219		1 1 1 1 1	
3	Enter the amount of the organi			•						
	attributable to patients eligible	e under the org	ganızatıon's fin	ancıal assistance p	olicy .	3	966,248			
4	Provide in Part VI the text of t In addition, describe the costi rationale for including a portio	ng methodolog	gy used in dete	rmining the amount						
	ion B. Medicare									
5	Enter total revenue received fi					5	76,723,900			
6 7	Enter Medicare allowable cost Subtract line 6 from line 5 Th				<u> </u>					
8	Describe in Part VI the extent Also describe in Part VI the c Check the box that describes	to which any osting method the method us	shortfall report ology or source ed	ed in line 7 should l e used to determine 	the amo	l as cor	nmunity benefit			
	Cost accounting system	I v Co	st to charge ra	tio I	Other					
	ion C. Collection Practices		llaation naliavi	2						
9a b	Does the organization have a v If "Yes," does the organization				· ·	· ·	s to be followed for	9a	Yes	
	patients who are known to qua	lify for charity	care or financi	al assistance? Des				9b	Yes	
Pa	rt IV Management Com							Τ.		
	(a) Name of entity	(1	 Description of p activity of entit 		(c) Organia profit % o ownersh	r stock	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	pro	e) Physic ofit % or ownershi	stock
1 SU	JRGI-CENTER AT FMC	OUTPATIENT SU	RGERY SERVICES		6	5 000 %	0 %		35 0	000 %
2										
3										
4							1	+		
5		1					+	+		
								-		
6										
7		<u> </u>					<u> </u>	\perp		
8										
9										
10										
11								+		
								-		
12										
13										

Part	V Facility Information									
Section (list in	on A. Hospital Facilities order of size, measured by total revenue per facility, from t to smallest)	Licensed hi	General medical	Children's hospital	Teaching hospital	Critical acc	Research facility	ER-24 houre	ER-other	
	nany hospital facilities did the organization operate during x year? 1	hospital	dical & surgical	10 sprtal	ospital	Ortical access hospital	acility	Φ		
Name	and address									Other (Describe)
1	FLAGSTAFF MEDICAL CENTER 1200 N BEAVER ST FLAGSTAFF, AZ 86001	x	х					х		
		<u> </u>								
		<u> </u>								
		<u> </u>								
		<u> </u>			<u> </u>	-				
		<u> </u>		1						
		 								
		<u> </u>								
	+	+-	\vdash	+	+	-	\vdash	 	 	

ow many non-nospital facilities did the organization	on operate during the tax year?
ame and address	Type of Facility (Describe)
-	
0	Schedule H (Form 99

Part V Facility Information (continued)

Schedule H (Form 990) 2010 Page 8

Part VI Supplemental Information

Complete this part to provide the following information

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

- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- Patient education of eligibility for assistance. Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- Promotion of community health. Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- Affiliated health care system. If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
PART I, LINE 3B	explanation for various percentages used	125% of the Federal Poverty Guide = 100% charity write-off 150% of FPG = 75% write-off 175% of FPG = 50% write-off 200% of FPG = 25% write-off 300% of FPG = 15% write-off PART I, LINE 3C CHARITY CARE INCOME LEVELS ARE BASED ON THE FEDERAL POVERTY GUIDE PUBLISHED IN THE FEBRUARY FEDERAL REGISTER ON AN ANNUAL BASIS A TIERED METHOD IS UTILIZED FOR DETERMINING WHETHER A PATIENT IS ELIGIBLE FOR 100%, 75%, 50%, 25%, OR 15% WRITE-OFF OF THE SELF PAY BALANCE OTHER CONSIDERATIONS SUCH AS DISPOSABLE ASSETS ARE CONSIDERED IN THE EVALUATION OF ELIGIBILITY A DISPOSABLE ASSET MAY BE EXPENSIVE JEWELRY, PLEASURE HORSES, RECREATIONAL VEHICLES, ETC

Identifier	ReturnReference	Explanation
PART I, LINE 6A		THE INFORMATION FOR THE COMMUNITY BENEFITS REPORT IS GATHERED BY THE COMMUNITY RELATIONS DEPARTMENT WHICH IS A DEPARTMENT OF NORTHERN ARIZONA HEALTHCARE FLAGSTAFF MEDICAL CENTER AND VERDE VALLEY MEDICAL CENTER ARE IDENTIFIED SEPARATELY ON THESE REPORTS

Identifier	ReturnReference	Explanation
ART I, LINE 7G		FLAGSTAFF MEDICAL CENTER (FMC) OPERATES A STATE DESIGNATED LEVEL I TRAUMA CENTER WHICH IS SUBSIDIZED BY THE HOSPITAL FMC WAS ONE OF THE ORIGINAL SEVEN LEVEL I TRAUMA CENTERS DESIGNATED BY THE STATE OF ARIZONA IN DECEMBER 2005 FMC IS THE ONLY LEVEL I TRAUMA CENTER IN NORTHERN ARIZONA AND IS CRUCIAL TO THE ARIZONA EMERGENCY MEDICAL AND TRAUMA SYSTEM ENSURING TRAUMA PATIENTS RECEIVE LIFE-SAVING SURGICAL TRAUMA CARE AS CLOSE TO THE "GOLDEN HOUR" AS POSSIBLE FMC IS A NATIONALLY VERIFIED TRAUMA CENTER BY THE AMERICAN COLLEGE OF SURGEONS TOTAL TRAUMA VOLUME HAS FLUCTUATED BETWEEN 1,200 - 1,500 PATIENTS PER YEAR FOR THE PAST FIVE YEARS FMC COLLABORATES WITH ALL OF THE HOSPITALS AND LEVEL IV TRAUMA CENTERS IN NORTHERN ARIZONA TO PREVENT TRAUMA INJURY AND TO IMPROVE TRAUMA CARE

Identifier	ReturnReference	Explanation
PART I, LINE 7, COL F		COST TO CHARGE PERCENTS ARE BASED ON THE IRS WORKSHEET CALCULATIONS

Identifier	ReturnReference	Explanation
PART III, LINE 4		THE FOOTNOTE TO THE FINANCIAL STATEMENTS INDICATES NET PATIENT ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE HAVE BEEN ADJUSTED TO THE ESTIMATED AMOUNTS EXPECTED TO BE RECEIVED THESE ESTIMATED AMOUNTS ARE SUBJECT TO FURTHER ADJUSTMENTS UPON REVIEW BY THIRD- PARTY PAYORS MANAGEMENT ESTIMATES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON THE HISTORICAL COLLECTION EXPERIENCE THE COSTING METHODOLOGY USED TO DETERMINE THE BAD DEBT COST COMES FROM THE PERCENTAGE CALCULATED IN SCHEDULE H PART I WORKSHEET 2 FLAGSTAFF MEDICAL CENTER CALCULATION OF FINANCIAL ASSISTANCE COST IS BASED ON ACTUAL FINANCIAL ASSISTANCE WRITE-OFFS BY THE BUSINESS OFFICE MULTIPLIED BY THE COST-TO-CHARGE RATIO ALL OF THE FINANCIAL ASSISTANCE WRITE-OFFS ARE ATTRIBUTABLE TO PATIENTS WHO QUALIFIED UNDER THE FINANCIAL ASSISTANCE POLICY AS A NOT-FOR- PROFIT ENTITY, SERVICES ARE PROVIDED TO ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY AND
		MAKING THIS AVAILABLE TO THE COMMUNITY QUALIFIES BAD DEBT AS A COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
PART III, LINE 8		THE ENTIRE MEDICARE SHORTFALL SHOULD BE CONSIDERED A COMMUNITY BENEFIT BECAUSE OUR MISSION IS TO IMPROVE THE HEALTH OF THE PEOPLE AND COMMUNITIES WE SERVE WHETHER OR NOT THIS SERVICE IS PROVIDED AT A LOSS TO THE HOSPITAL MEDICARE REPRESENTS 35% OF THE HOSPITAL'S GROSS CHARGES AND IS A SIGNIFICANT LOSS FOR THE HOSPITAL THE HOSPITAL PROVIDES CARE REGARDLESS OF THIS SIGNIFICANT LOSS AND THEREBY RELIEVES THE FEDERAL GOVERNMENT OF THE BURDEN OF PAYING THE FULL COST OF THE MEDICARE BENEFICIARIES MANY OF THESE PATIENTS WOULD QUALIFY FOR FINANCIAL ASSISTANCE IF THEY WERE NOT IN THE MEDICARE PROGRAM

Identifier	ReturnReference	Explanation
PART III, LINE 9B		ACCORDING TO OUR FINANCIAL ASSISTANCE POLICY, THE FINANCIAL COUNSELORS ASSESS THE PATIENT'S ABILITY TO PAY AT TIME OF ADMISSION/REGISTRATION IF THE PATIENT STATES THAT THEY ARE UNABLE TO PAY OUT-OF-POCKET EXPENSES, A DETERMINATION IS MADE WHETHER COVERAGE IS AVAILABLE THROUGH AHCCCS OR OTHER MEDICAID PROGRAMS IF NO OUTSIDE ASSISTANCE IS AVAILABLE, AN APPLICATION IS GIVEN TO THE PATIENT TO BE SUBMITTED FOR FINANCIAL ASSISTANCE CONSIDERATION IF PATIENT DOESN'T QUALIFY FOR FINANCIAL ASSISTANCE, INCOME LEVELS ARE ASSESSED TO DETERMINE IF THEY QUALIFY FOR LONG-TERM PAYMENT PROGRAM IF THE FINANCIAL ASSISTANCE APPLICATION IS NOT TURNED IN AND PAYMENT HAS NOT BEEN MADE AFTER NUMEROUS FOLLOW UP PHONE CALLS, THE PATIENT ACCOUNT GOES TO BAD DEBT Before Pre-Admission and If a patient is eligible for financial assistance, Flagstaff Medical Center's Cashier collects 50% of the estimated liability The rest of the 50% is
		set up on a six-month payment plan with a Self-Pay Representative of the Central Business Office

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		FLAGSTAFF MEDICAL CENTER ASSESSES COMMUNITY HEALTHCARE NEEDS THROUGH A SURVEY DESIGNED AND ADMINISTERED BY THE PROFESSIONAL RESEARCH CONSULTANTS THIS SURVEY WAS LAST CONDUCTED IN 2011 AND WAS A FOLLOW-UP TO OTHER SURVEYS THE HOSPITAL HAS CONDUCTED THE SURVEY INSTRUMENT USED FOR THIS STUDY IS BASED LARGELY ON THE
		CENTERS FOR DISEASE CONTROL AND PREVENTION BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM, AS WELL AS VARIOUS OTHER PUBLIC HEALTH SURVEYS AND CUSTOMIZED QUESTIONS ADDRESSING GAPS IN INDICATOR DATA RELATIVE TO HEALTH PROMOTION AND DISEASE PREVENTION OBJECTIVES AND OTHER RECOGNIZED HEALTH ISSUES

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		ACCORDING TO OUR FINANCIAL ASSISTANCE POLICY, THE FINANCIAL COUNSELORS ASSESS THE PATIENT'S ABILITY TO PAY AT TIME OF ADMISSION/REGISTRATION IF THE PATIENT STATES THAT THEY ARE UNABLE TO PAY OUT-OF-POCKET EXPENSES, A DETERMINATION IS MADE WHETHER COVERAGE IS AVAILABLE THROUGH AHCCCS OR OTHER MEDICAID PROGRAMS IF NO OUTSIDE ASSISTANCE IS AVAILABLE, AN APPLICATION IS GIVEN TO THE PATIENT TO BE SUBMITTED FOR FINANCIAL ASSISTANCE CONSIDERATION IF PATIENT DOESN'T QUALIFY FOR FINANCIAL ASSISTANCE, INCOME LEVELS ARE ASSESSED TO DETERMINE IF THEY QUALIFY FOR LONG-TERM PAYMENT PROGRAM IF THE CHARITY APPLICATION IS NOT TURNED IN AND PAYMENT HAS NOT BEEN MADE AFTER NUMEROUS FOLLOW UP PHONE CALLS, THE PATIENT ACCOUNT GOES TO BAD DEBT Flagstaff Medical Center Website has a billing contact number Before Pre-Admission, patients are contacted by FMC's Cashier When patients are contacted, they are educated about the Financial Assistance Policy FMC Financial Counselors assigned to each nursing unit are able to answer or assist with billing questions At each Patient Registration desk are displays and brochures of the Billing information, including the Financial Assistance Policy

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		FLAGSTAFF MEDICAL CENTER IS A 271-BED ACUTE CARE HOSPITAL LOCATED IN FLAGSTAFF, AZ FMC OPERATES AS A NOT-FOR-PROFIT TAX-EXEMPT CORPORATION FMC PROVIDES GENERAL MEDICAL AND SURGICAL ACUTE CARE, BEHAVIORAL HEALTH SERVICES, AND A FULL RANGE OF OUTPATIENT SERVICES TO NORTHERN ARIZONA RESIDENTS AND VISITORS KEY SERVICES PROVIDED TO THE COMMUNITY INCLUDE A REGIONAL TRAUMA CENTER, OPEN-HEART SURGERY, HIGH-TECH IMAGING, RADIATION/ONCOLOGY, SURGICAL SERVICES, ORTHOPEDIC SERVICES, AND WOMEN, INFANTS AND CHILDREN'S SERVICES THE HOSPITAL GROSS PAYOR MIX IS AS FOLLOWS MEDICARE 37%, AHCCCS/MEDICAID 27%, COMMERCIAL AND OTHER 32%, AND SELF PAY 4% FLAGSTAFF MEDICAL CENTER IS ONE OF THE THREE LARGEST EMPLOYERS IN NORTHERN ARIZONA

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY		FLAGSTAFF MEDICAL CENTER SPONSORS VARIOUS COMMUNITY BUILDING ACTIVITIES IN FISCAL YEAR 2011 THERE WERE MORE THAN 40 COMMUNITY ACTIVITIES THAT QUALIFIED AS COMMUNITY BUILDING ACTIVITIES, INCLUDING BUT NOT LIMITED TO, PHYSICIAN RECRUITMENT, A COMMUNITY NEEDS HEALTH ASSESSMENT, AND WORKING WITH VARIOUS COMMUNITY ORGANIZATIONS SUCH AS AMERICAN CANCER SOCIETY, MUSCULAR DYSTROPHY ASSOCIATION, YMCA, UNITED WAY, BIG BROTHERS AND BIG SISTERS, AND THE COALITION FOR CHILDREN AND YOUTH THERE ARE MANY OTHER EXAMPLES OF HOW FLAGSTAFF MEDICAL CENTER FURTHERS ITS EXEMPT PURPOSE BY PROMOTING HEALTH IN THE COMMUNITY IT SERVES THE FMC CANCER CENTER HOSTS A SERIES OF FREE OR LOW-COST SCREENINGS DESIGNED TO HELP RESIDENTS IN THE COMMUNITY TO IDENTIFY ISSUES AS SOON AS POSSIBLE THIS IS BASED ON THE PREMISE THAT EARLY DETECTION IS OFTEN THE KEY TO SAVING THE LIVES OF CANCER PATIENTS THERE IS A NAVAJO TRANSLATOR PROGRAM WHICH SERVES A LARGE NUMBER OF PATIENTS FROM THE NAVAJO RESERVATION THE INTERPRETER PROGRAM HELPS NAVAJO PATIENTS FEEL AT EASE AS THEY CAN DISCUSS THEIR MEDICAL CONDITION IN THEIR NATIVE LANGUAGE THERE IS ALSO A FIT KIDS OF ARIZONA PROGRAM WHICH STRIVES TO REDUCE THE HEALTH CONSEQUENCES OF CHILDHOOD OBESITY BY PROMOTING HEALTHY LIFESTYLES

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM ROLES		FLAGSTAFF MEDICAL CENTER IS AFFILIATED WITH VERDE VALLEY MEDICAL CENTER THE BOARD MEMBER MEETINGS ARE COMBINED THE COMMUNITY BENEFIT REPORT IS SUMMARIZED TOGETHER AND POSTED ON THE HOSPITAL'S WEBSITE IN THE LAST COUPLE YEARS A SYSTEM-WIDE QUALITY CARDIOLOGY PROGRAM WAS STARTED AND PHYSICIANS COVERED BOTH INSTITUTIONS TO PROVIDE TIMELY PATIENT CARE

Schedule H (Form 990) 2010

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Schedule I

(Form 990)

Department of the Treasury

Internal Revenue Service

Name of the organization

DLN: 93493135062112 OMB No 1545-0047

Employer identification number

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22. ► Attach to Form 990

Inspection

FLAGSTAFF MEDICAL CENTER	_					86-0110232	
Part I General Information 1 Does the organization maintain r the selection criteria used to awa 2 Describe in Part IV the organizar	ecords to substanti ard the grants or as	ate the amount of the					ר Yes Γ
Part II Grants and Other As Form 990, Part IV, line duplicated if additional	ssistance to Go 21 for any recip	vernments and O	rganizations in the nore than \$5,000. Ch	United States. Con eck this box if no one	recipient receive	ed more than \$5,000	
1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of gra or assistance
See Addıtıonal Data Table							
2 Enter total number of section 503 Enter total number of other organ							11

Schedule I	(Form 990) 2010
Part III	Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22
	Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b) Number of recipients	(c) A mount of cash grant	(d)A mount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

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

Identifier	Return Reference	Explanation
SCHEDULE I, PART I,	DESCRIPTION OF	FLAGSTAFF MEDICAL CENTER FOUNDATION - GRANTS 1) INDIVIDUALS ON THE USER LEVEL ARE RESPONSIBLE
LINE 2	ORGANIZATION'S	FOR SCREENING AND IDENTIFYING THE NEEDS FOR DISTRIBUTION OF GRANT FUNDS 2) DEPARTMENT HEADS
	PROCEDURES FOR	AND/OR PROGRAM COORDINATORS MUST VALIDATE AND SIGN ALL REQUESTS FOR PAYMENT OR DISBURSEMENT
	MONITORING THE USE OF	OF THESE FUNDS 3) WRITTEN REQUESTS ARE REVIEWED BY THE FOUNDATION SPECIALIST FOR OPERATIONS TO
	GRANTS	VERIFY AVAILABLE FUND BALANCES AND PROPER ACCOUNT NUMBERS 4) THE FOUNDATION SPECIALIST FOR
		GRANTS THEN INITIALS THE DOCUMENTS AFTER VERIFYING THE CRITERIA FOR DISBURSEMENT 5) THE VICE
		PRESIDENT OF DEVELOPMENT AUTHORIZES THE DISBURSEMENT OF FUNDS BY SIGNATURE 6) THE FOUNDATION
		SCANS ALL DOCUMENTS AND SAVES THEM DIGITALLY ON A SECURE SERVER 7) ALL ORIGINAL DOCUMENTS ARE
		SUBMITTED TO ACCOUNTS PAYABLE FOR FINAL RECORDING AND PAYMENT 8)ORIGINAL DOCUMENTS ARE FILED
		AND ARCHIVED IN A SECURE LOCATION FOR THE REQUIRED LENGTH OF TIME FMC RELIES ON THE GOVERNANCE
		PRACTICES OF THE RECIPIENT ORGANIZATION TO USE THE FUNDS FOR THE INTENDED PURPOSE

Software ID:

Software Version:

EIN: 86-0110232

Name: FLAGSTAFF MEDICAL CENTER

(a) Name and address of organization or government	zation if applicable grant		(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance	
AMERICAN CANCER SOCIETY4550 E BELL RD 126 PHOENIX, AZ 85032	84-1316555	501(c)(3)	5,650				FUNDRAISING SPONSORSHIP
BIG BROTHERS BIG SISTERS OF FLAGSTAFFPO BOX 1701 FLAGSTAFF,AZ 86002	STAFFPO 23-7170086 501(c)(3) 8,000					SPONSORSHIP	

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CHILDHELP3945 WESTWOOD CIR FLAGSTAFF,AZ 86001	95-2884608	501(c)(3)	14,800				SPONSORSHIP & MOBILE ADVOCACY
COCONINO COMMUNITY COLLEGE2800 S LONETREE RD FLAGSTAFF,AZ 86001	86-0686666	SCHOOL	106,000				NURSING PROGRAM & SPONSORSHIP

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	cash	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
COCONINO COUNTY PUBLIC HEALTH SERVICES 2625 N KING ST FLAGSTAFF, AZ 86004	86-6000441	GOVT	7,500				HEALTH SCREENINGS
FASDNA2080 W FRESH AIRE ST FLAGSTAFF,AZ 86001	27-0766117	501(c)(3)	8,000				GENERAL OPERATIONAL SUPPORT

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
FLAGSTAFF DOWNTOWN BUSINESSPO BOX 1546 FLAGSTAFF,AZ 86002	86-1033923	501(C)(6)	15,000				SPONSORSHIP
NORTH COUNTRY COMMUNITY HEALTHCARE PO BOX 3630 FLAGSTAFF,AZ 86003	86-0663432	501(c)(3)	60,000				CAPITAL CAMPAIGN

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
NORTHERN ARIZONA UNIVERSITY ATHLETICS PO BOX 15400 FLAGSTAFF,AZ 86011	86-6004791	SCHOOL	10,000				SPONSORSHIP
NORTHERN ARIZONA UNIVERSITY FOUNDATION PO BOX 4092 FLAGSTAFF,AZ 86011	86-6004791	501(c)(3)	82,166				HEALTH & HUMAN SERVICES

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
THE YMCAPO BOX 1670 FLAGSTAFF,AZ 86003	86-0096799	501(c)(3)	10,000				CAPITAL CAMPAIGN
UNITED WAY OF NORTHERN ARIZONA1515 E CEDAR AVE D FLAGSTAFF,AZ 86004	86-0211666	501(c)(3)	25,000				ORGANIZATIONAL MATCH

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
NORTH COUNTRY COMMUNITY HEALTHCARE PO BOX 3630 FLAGSTAFF,AZ 86003	86-0663432	501(c)(3)	18,825				NACASA

Compensation Information

DLN: 93493135062112

OMB No 1545-0047

Schedule J (Form 990)

Department of the Treasury Internal Revenue Service

For certain Officers, Directors, Trustees, Key Employees, and Highest **Compensated Employees**

► Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

► Attach to Form 990. ► See separate instructions.

Open to Public Inspection

Name	of	the	orga	nizati	on
FLAGST	AFF	MED	DICAL	CENTER	₹

Employer identification number

86-0110232

Pa	rt I Questions Regarding Compensation			
			Yes	Νo
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	First-class or charter travel Housing allowance or residence for personal use			
	Travel for companions Payments for business use of personal residence			
	Tax idemnification and gross-up payments Health or social club dues or initiation fees			
	Discretionary spending account Personal services (e.g., maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply Compensation committee Written employment contract			
	✓ Independent compensation consultant ✓ Compensation survey or study ✓ Form 990 of other organizations ✓ Approval by the board or compensation committee			
	Form 990 of other organizations Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
а	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a		Νo
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		Νo
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
а	The organization?	5a		Νo
b	Any related organization?	5b		Νo
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
а	The organization?	6a		Νo
b	Any related organization?	6b		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe			
	ın Part III	8		Νo
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(1)-(III) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of	W-2 and/or 1099-MI	SC compensation	(C) Retirement and	(D) Nontaxable	(E) Total of columns	(F) Compensation
		(i) Base compensation	(ii) Bonus & (iii) Other reportable compensation compensation		other deferred compensation	benefits	(B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ
(1) Wıllıam T Bradel	(I) (II)	0 486,222	0 69,300	0 61,722	0 9,800	0 18,646	0 645,690	(
(2) Steven W Lewis MD	(I) (II)	0 360,994	0 68,535	0 8,237	0 9,800	0 18,426	0 465,992	(
(3) Roger S Schuler	(I) (II)	0 222,158	0 28,189	0	0 80,873	0 13,372	0 344,592	
(4) Marılynn P Belcher	(I) (II)	0 196,498	0 24,759	0 699	0 8,454	0 13,273	0 243,683	
(5) Richard A Smith	(I) (II)	0 173,264	0 21,831	0 1,129	0 7,408	0 9,507	0 213,139	
(6) Eric D Cohen MD	(I) (II)	0 650,000	0 0	0 3,090	0 9,900	0 21,556	0 684,546	
(7) Steven M Peterson MD	(I) (II)	0 549,750	0 58,630	0	0 9,977	0 14,921	0 633,278	
(8) Omar R Wanı MD	(I) (II)	0 600,017	0 0	0 874	0 9,800	0 6 ,9 39	0 617,630	
(9) John J Mougin MD	(I) (II)	0 263,761	0 53,777	0	0 9,800	0 16,854	0 344,192	
(10) Mark E Donnelly MD	(I) (II)	0 386,844	0 249,040	0	0 8,715	0 20,257	0 664,856	
(11) GREGORY KUZMA	(I) (II)	0 311,056	0 44,627	0	0 34,065	0 17,150	0 406,898	
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8 Also complete this part for any additional information

Identifier	Return Reference	Explanation
SCHEDULE J,	SUPPLEMENTAL	LINE 1A/B ALL COMPENSATION, BENEFITS AND REIMBURSEMENTS ARE PAID BY NORTHERN ARIZONA HEALTHCARE, THE PARENT
PART I	COMPENSATION	ORGANIZATION BOARD MEMBER AND OFFICER BUSINESS TRAVEL EXPENSES, SUCH AS AIRLINE AND MEALS, FOR COMPANIONS WERE PAID
	INFORMATION	AND REPORTED ON A W-2 OR 1099 GROSS-UP OF TAXES IS DONE ON ALL EMPLOYEE GIFT CERTIFICATES CURRENTLY, THERE IS NO
		WRITTEN POLICY FOR THESE ITEMS IN PRACTICE, THE BOARD MEMBER AND OFFICER BUSINESS TRAVEL EXPENSES ARE APPROVED BY THE
		NEXT HIGHEST LEVEL LINE 3 CEO COMPENSATION IS DERIVED BY THE RELATED PARENT ENTITY - NORTHERN ARIZONA HEALTHCARE

Schedule J (Form 990) 2010

Schedule K (Form 990)

Supplemental Information on Tax Exempt Bonds

Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
 ► Attach to Form 990.
 ► See separate instructions.

OMB No 1545-0047

2010

DLN: 93493135062112

Open to Public Inspection

Internal Revenue Service
Name of the organization

Department of the Treasury

FLAGSTAFF MEDICAL CENTER

Employer identification number

86-0110232

P	art I Bond Issues														
	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue I	Price	(f)) Description	of Purpose	(g) Def	eased	Beh) On nalf of suer		Pool ancing
										Yes	No	Yes	No	Yes	No
A	INDUSTRIAL DEVELOPMENT AUTHORITY OF YAVAPAI COUNTY	RITY OF YAVAPAI		07-25-2008	45,70	3,133	SEE	SEE SCHEDULE O			X		x		x
В	INDUSTRIAL DEVELOPMENT AUTHORITY OF YAVAPAI COUNTY	86-0376099	985900BT5	01-08-2009	20,32	20,326,075 SEE SCHEDULE O			х		x		х		
_															
Da	art II Proceeds						Щ			oxdot					
Pe	art II Proceeds				T = I	Α		В	3		С		\top	D	
1	Amount of bonds retired		-												
2	Amount of bonds legally defeas	sed					0								
3	Total proceeds of issue					45,703	3,133	;	20,378,642				+		
4	Gross proceeds in reserve fund	ds				-	0						1		
5	Capitalized interest from proce	eeds					0						1		
6	Proceeds in refunding escrow					45,697	,693						+		
7	Issuance costs from proceeds	;					5,440	<u> </u>	257,565				1		
8	Credit enhancement from proc	eeds			0					1					
9	Working capital expenditures f	from proceeds					0						1		
10	Capital expenditures from proc	ceeds					0	:	10,126,000				1		
11	Other spent proceeds						0						1		
12	O ther unspent proceeds					,	0				,			,	
13	Year of substantial completion	1						•							
					Yes	No	o	Yes	No	Yes		No	Yes	s	No
14	Were the bonds issued as part	: of a current refundi	ng issue?		X			Х							
15	Were the bonds issued as part			х			Х								
16	Has the final allocation of proc		Х			Х									
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?							х							
Pa	rt IIII Private Business U	se													
					-	A		B	+		C		+	<u>D</u>	
	Was the organization a partner	rın a nartnarahın ol	ra mambaratan l	LC which owned	Yes	No	<u> </u>	Yes	No	Yes	+	No	Yes	-	No
1	Was the organization a partner	in a partnership, or	a memper of an Li	LC, which owned		x	. !	1	x						

Are there any lease arrangements that may result in private business use of bond-

property financed by tax-exempt bonds?

financed property?

Χ

Schedule K (Form 990) 2010

Part III Private Business Use (Continued)

		Α		В		С		Г	D
		Yes	No	Yes	No	Yes	No	Yes	No
За	Are there any management or service contracts that may result in private business use?	Х		Х					
b	Are there any research agreements that may result in private business use of bond-financed property?		х		Х				
С	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	Х		Х					
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government		0 %		0 %				
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government		0 %		0 %				
6	Total of lines 4 and 5		0 %		0 %				
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	Х		Х					

|--|

		Α		В		С		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		x		x				
2	Is the bond issue a variable rate issue?	X		X					
3a			х		х				
ь	Name of provider								
С	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		Х		Х				
ь	Name of provider								
С	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?	х		х					
6	Did the bond issue qualify for an exception to rebate?	х			х				

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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As Filed Data -

DLN: 93493135062112

N. 93493135002112

OMB No 1545-0047

Schedule L

(Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

Transactions with Interested Persons

► Complete if the organization answered
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V lines 38a or 40b.

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

Open to Public Inspection

2010

	e of the organization TAFF MEDICAL CENTER							E	mployer i	dent if ica	ition numb	er
								8	6-01102	32		
Part												
	Complete if the organizat	ion ans	wered "	Yes" on For	m 990, i T	Part IV, line 25a d	or 25b, c	or Form	990-EZ,	Part V, I	ine 40b	(c)
1	(a) Name of disq	ualıfıed	person			(b) Desc	cription	of trans	action		Со	rrected?
						. ,					Yes	No
	nter the amount of tax impos	ed on tl	_					_	ear unde	r		
_	ection 4958									* —		
3 E	nter the amount of tax, if any	, on line	e 2, abo	ve, reimburs	sea by th	ie organization .				' \$ <u> </u>		
Part												
	Complete if the organiz	zatıon a T	nswere	d "Yes" on F	orm 990), Part IV, line 26	, or Forr	n 990-l	т.	, line 38	a	
		1 ' '	oan to				(e) ː	In	(f) Approv	/ed	(g) Writ	ten
(a) Na	ame of interested person and purpose	organization?		(c)O riginal principal amou		(d)Balance due	defaul		by board or committee?		agreem	
	purpose			principal e	amount			T			-	T
		То	From				Yes	No	Yes	No	Yes	No
										+		
								1				
									1			
Total					> \$							
Part 1	Grants or Assistar Complete if the orga						/. line 2	77.				
						een interested per						
	(a) Name of interested pers	on				ganızatıon		(c) An	nount of g	rant or ty	ype of ass	stance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

Complete ii the organization	Tallsweled les offi	Olli 990, Falt IV, ili	16 Z0a, Z0b, 01 Z0c.		
(a) Name of interested person	(b) Relationship between interested person and the organization (c) A mount of transaction		(d) Description of transaction	organi	aring of zation's nues?
` '	CHRISTENSEN / PARTNER	2,430,000	MEDICAL SERVICES	res	No
(2) CAPSTONE HEALTH PLAN	MUNGER, KUZMA, HERSHEY	450,026	INSURANCE PAYOR TO FMC		No
(-,	STEVE LEWIS SPOUSE	184,882	COMPENSATION		No
` '	GREG KUZMA SPOUSE	68,449	COMPENSATION		No
(5) GKC ENTERPRISES	CHRISTENSEN	l '	ACCOUNT BALANCE AT 6/30/11		No
` '	MEDICAL STAFF PRESIDENT	16,667	FY11 COMPENSATION		No

Part V **Supplemental Information**

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

Identifier Return Reference Explanation

Schedule L (Form 990 or 990-EZ) 2010

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DLN: 93493135062112

OMB No 1545-0047

Inspection

Open to Public

SCHEDULE M (Form 990)

Department of the Treasury Internal Revenue Service

▶Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30. ► Attach to Form 990.

NonCash Contributions

Name of the organization FLAGSTAFF MEDICAL CENTER

Employer identification number

1 10 10 1	STATE TESTS IN CENTER				86-0110232			
Pa	Types of Property			<u> </u>				
		(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line	(d Method of determining of amounts		contribut	ion
1	Art—Works of art	Х	1		opinions of experts			
2	Art—Historical treasures							
3	Art—Fractional interests							
4	Books and publications	Х		3,536	replacement cost			
5	Clothing and household	Х		40 521				
good		^_		49,531	replacement cost			
_	Cars and other vehicles .							
7	Boats and planes							
	Intellectual property							
	Securities—Publicly traded							
10	Securities—Closely held stock							
11	Securities—Partnership, LLC, or trust interests							
12	Securities—Miscellaneous							
13	contribution—Historic							
14	structures							
	contribution—Other							
15	Real estate—Residential .							
16	Real estate—Commercial							
17	Real estate—Other							
18	Collectibles	Х	1	1,000	OPINIONS OF EXP	ERTS		
19	Food inventory	Х	2	640	COST/SELLING PR	ICE		
20	Drugs and medical supplies	Х	11	4,460	COST/SELLING PR	ICE		
21	Taxidermy							
22	Historical artifacts							
23	Scientific specimens							
24	Archeological artifacts .							
	PARENTS		4 200	20.000	CO CT (CELLING DD			
	Other►(<u>KITS</u>)	X	1,200	30,000	COST/SELLING PR	ICE		
26	Other ► ()							
27	Other ▶ ()							
28 29	Other ► () Number of Forms 8283 received by	the ora	anization during the tax ver	r for contributions				
29	for which the organization complete				29			0
	j		, ,	J			Yes	No
30a	During the year, did the organization	n receiv	e by contribution any prope	rty reported in Part I, lines	1-28 that it			
	must hold for at least three years f	rom the o	date of the initial contribution	on, and which is not require	d to be used			
	for exempt purposes for the entire	holding p	eriod?			30a		No
b	If "Yes," describe the arrangement	ın Part I	I					
31	Does the organization have a gift a	cceptano	ce policy that requires the i	eview of any non-standard	contributions?	31	Yes	
32a	Does the organization hire or use t	hırd partı	es or related organizations	to solicit, process, or sell	non-cash	22-		N -
L			· · ·	· · · · · ·		32a		No_
33	If "Yes," describe in Part II If the organization did not report re describe in Part II	venues ı	n column (c) for a type of p	roperty for which column (a) is checked,			

Page 2

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier Return Reference Explanation

Schedule M (Form 990) 2010

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As Filed Data -

DLN: 93493135062112

OMB No 1545-0047

2010

Open to Public Inspection

SCHEDULE 0 (Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ Complete to provide information for responses to specific questions on

Form 990 or to provide any additional information.

► Attach to Form 990 or 990-EZ.

Name of the organization FLAGSTAFF MEDICAL CENTER

Employer identification number

86-0110232

ldentifier	Return Reference	Explanation
FORM 990, PART I, LINE 6	VOLUNTEER RESPONSIBILITIES	FMC VOLUNTEERS PROVIDE CLERICAL ASSISTANCE IN MULTIPLE DEPARTMENTS AND SUPPORT SERVICES SUCH AS WHEELCHAIR ASSISTANCE AND ESCORTING PATIENTS AND FAMILIES WHO ENTER AT THE MAIN ENTRY THEY VOLUNTEER AT THE INFORMATION DESK AND GIFT SHOP AND MAKE DELIVERIES OF GIFTS, READING MATERIALS AND MAIL TO PATIENT ROOMS THEY PROVIDE LOBBY MUSIC, NAVAJO AND SPANISH INTERPRETATION, SPIRITUAL CARE, AND CARING CANINE AND CARING CLOWN VISITS TO PATIENTS THEY ROCK BABIES IN THE SPECIAL CARE NURSERY, PROVIDE MENDED HEARTS PATIENT AND FAMILY SUPPORT, AND ASSIST IN THE FOUNDATION AND AT SPECIAL EVENTS VOLUNTEERS ASSIST IN OTHER DEPARTMENTS SUCH AS THE CANCER CENTER, BIOMEDICAL ENGINEERING, MAIL ROOM, NUTRITION SERVICES, PHARMACY, WOMEN AND INFANTS' CENTER, PHY SICAL THERAPY, FIT KIDS, BARIATRIC CLINIC, EMERGENCY AND SURGICAL SERVICES AND THE TAYLOR HOUSE

Identifier	Return Reference	Explanation
FORM 990 PART III LINE 4A	DESCRIPTION OF PROGRAM SERVICE ACCOMPLISHMENTS	ONE OF THE NICEST THINGS ABOUT LIVING IN NORTHERN ARIZONA IS YOU DON'T HAVE TO TRAVEL TO GET EXCELLENT HEALTHCARE. SINCE 1936, FLAGSTAFF MEDICAL CENTER (FMC), A MEMBER OF NORTHERN ARIZONA HEALTHCARE, SINCE 1936, FLAGSTAFF MEDICAL CENTER (FMC), A MEMBER OF NORTHERN ARIZONA HEALTHCARE, HAS PROVIDED HIGH QUALITY HEALTHCARE SERVICES TO RESIDENTS AND VISITORS TO NORTHERN ARIZONA WE ARE DEDICATED TO PATIENT-CENTIFED CARE WITH A PERSONAL TOUCH FMC IS LICENSED BY MEDICARE AND THE STATE OF ARIZONA FOUNDED BY DR CHARLES SECHRIST AS FLAGSTAFF HOSPITAL, THE 25-BED HOSPITAL WAS DONATED TO THE COMMUNITY OF FLAGSTAFF IN 1955 TODAY, FLAGSTAFF MEDICAL CENTER REMAINS A NOT-FOR-PROFIT HOSPITAL, GOVERNED BY A VOLUNTEER BOARD OF DIRECTORS WE TREAT EVERY PATIENT, REGARDLESS OF THEIR ABILITY TO PAY EVERY YEAR, FLAGSTAFF MEDICAL CENTER REMAINS A NOT-FOR-PROFIT HOSPITAL TO ENSURE WE ARE PROVIDING THE BEST, SAFEST CARE, CLOSE TO HOME WE PROVIDE KEY SERVICES TO NORTHERN ARIZONA RESIDENTS AND VISITORS, INCLUDING A REGIONAL TRAUMA CENTER, OPEN-HEART SURGERY, HIGH-TECH IMAGING, A CANCER CENTER, SURGICAL SERVICES, ORTHOPEDIC SERVICES, WOMEN, INFANTS' AND CHILDREN'S SERVICES, AND MORE FMC CURRENTLY HAS - 267 INPATIENT BEDS - 222 PHY SICIANS ON OUR ACTIVE MEDICAL STAFF - 14,607 ANNUAL INPATIENT HOSPITAL ADMISSIONS - 63,475 INPATIENT DAYS - 100,427 ANNUAL OUTPATIENT HOSPITAL ADMISSIONS - 63,475 INPATIENT DAYS - 100,427 ANNUAL OUTPATIENT HOSPITAL VISITS - 40,599 ANNUAL EMERGENCY DEPARTMENT VISITS - 1,251 BABBIS BORN THIS YEAR AT FMC FLAGSTAFF MEDICAL CENTERS MISSION AND VISION

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTION 6		NORTHERN ARIZONA HEALTHCARE CORPORATION IS THE SOLE CORPORATE MEMBER OF FLAGSTAFF MEDICAL CENTER

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTION 7A	DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	THE FLAGSTAFF MEDICAL CENTER (FMC) GOVERNANCE COMMITTEE NOMINATES FOR POSITIONS ON THE FMC BOARD OF DIRECTORS DIRECTORS ARE ELECTED BY THE BOARD OF DIRECTORS OF THE SOLE CORPORATE MEMBER FROM THE NOMINATIONS THAT HAVE BEEN PROVIDED THE SOLE CORPORATE MEMBER BLECTS THOSE PERSONS NOMINATED UNLESS THE BOARD OF DIRECTORS OF THE SOLE CORPORATE MEMBER BY A SUPER MAJORITY VOTE DETERMINES THAT A NOMINEE'S ELECTION WOULD BE DETRIMENTAL TO THE BEST INTERESTS OF FMC OR THE SOLE CORPORATE MEMBER FORM 990, PART VI, LINE 7B DECISIONS REQUIRING APPROVAL & TYPE OF VOTING RIGHTS AS SOLE CORPORATE MEMBER, NORTHERN ARIZONA HEALTHCARE CORPORATION APPROVES THE BOARD OF DIRECTORS THAT ARE ELECTED BY THIS ENTITY ALSO AS SOLE CORPORATE MEMBER, NORTHERN ARIZONA HEALTHCARE CORPORATION HAS RESERVED THE RIGHT AND AUTHORITY TO APPROVE OR DISAPPROVE THOSE ACTS OR POWERS AS SET FORTH IN THE "RESERVED POWERS CHART" THAT IS PART OF THE BY LAWS

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTION 11B	REVIEW OF THE FORM 990 BY THE ORGANIZATION'S GOVERNING BODY	THE FORM 990 IS PREPARED BY AN ACCOUNTING FIRM BASED ON DATA GATHERED BY THE CONTROLLER AND THE ORGANIZATION'S FINANCIAL OPERATIONS GROUP THE CFO REVIEWS THE DRAFT FORM 990 AND PROVIDES ADDITIONAL COMMENTS THE FINAL DRAFT VERSION OF THE FORM 990 IS PROVIDED TO THE BOARD OF DIRECTORS AND KEY OFFICERS PRIOR TO THE MAY 15 DUE DATE FOR THE FORM 990 ANY ADDITIONAL COMMENTS SUGGESTED BY THE GOVERNING BODY ARE THEN INCORPORATED INTO THE FINAL VERSION OF THE FORM 990 TO BE FILED WITH THE IRS BY THE FINAL DUE DATE. IF ANY SUGGESTED CHANGES ARE MATERIAL OR SIGNIFICANT, AN ADDITIONAL DRAFT IS DISTRIBUTED TO THE GOVERNING BODY PRIOR TO FILING

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTION 12C	DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICT OF INTEREST	THE ORGANIZATION REGULARLY MONITORS AND ENFORCES COMPLIANCE WITH ITS CONFLICT OF INTEREST POLICY (BOARD POLICY 6 1) THIS IS ACCOMPLISHED BY A NUMBER OF MECHANISMS FIRST, THE CONFLICT OF INTEREST QUESTIONNAIRE IS REVIEWED BY THE GOVERNANCE COMMITTEE OF THE BOARD AS PART OF THE QUESTIONNAIRE, SELF-DISCLOSURE IS REQUIRED BY BOARD MEMBERS IN ADDITION, INDIVIDUAL DISCLOSURE BY BOARD MEMBERS OCCURS AT BOARD MEETINGS WHEN NECESSARY (I.E. A BOARD MEMBER WILL EXCLUDE HIMSELF FROM VOTING ON AN ISSUE IN WHICH HE MAY HAVE A CONFLICT OF INTEREST)

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTIONS 15A & 15B	COMPENSATION PROCESS	THE PROCESS FOR DETERMINING COMPENSATION OF THE ORGANIZATION'S CEO AND OTHER OFFICERS INCLUDES THE PREPARATION OF COMPARABLE DATA BY TOWERS WATSON, AN INDEPENDENT CONSULTING FIRM IN ADDITION, THIS INFORMATION IS REVIEWED BY THE GOVERNANCE COMMITTEE OF THE BOARD AND IS DOCUMENTED IN BOARD MINUTES THE MOST RECENT REVIEW WAS PERFORMED IN JANUARY 2010

ldentifier	Return Reference	Explanation
PART VI,	AVAILABILITY OF CERTAIN DOCUMENTS TO THE GENERAL PUBLIC	THE ORGANIZATION'S FINANCIAL STATEMENTS ARE AVAILABLE THROUGH THE ARIZONA DEPARTMENT OF HEALTH SERVICES IN ADDITION, THEY ARE AVAILABLE THROUGH THE ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) AS PART OF THE ORGANIZATION'S CONTINUING DISCLOSURE DOCUMENTS THAT ARE REQUIRED BY ITS PUBLIC DEBT REQUIREMENTS THE ORGANIZATION DOES NOT MAKE ITS GOVERNING DOCUMENTS OR ITS CONFLICT OF INTEREST POLICY AVAILABLE TO THE PUBLIC

Identifier Retu Refere		Explanation
FORM 990, HOURS DE TO RELATE ORGANIZA	ED	BERT MCKINNON SERVES ON THE BOARD OF NORTHERN ARIZONA HEALTHCARE CORPORATION (NAHC) AND FLAGSTAFF MEDICAL CENTER (FMC) HE DEVOTED 2 HOURS PER WEEK TO EACH ORGANIZATION CHRIS BAVASI SERVES ON THE BOARD OF NAHC AND FMC HE DEVOTED 2 5 HOURS PER WEEK TO EACH ORGANIZATION GARY CHRISTENSEN SERVES ON THE BOARD OF NAHC AND FMC HE DEVOTED 0 75 HOURS PER WEEK TO EACH ORGANIZATION JAMES DORMAN SERVES ON THE BOARD OF NAHC AND FMC HE DEVOTED 3 HOURS PER WEEK TO EACH ORGANIZATION WAYNE FOX SERVES ON THE BOARD OF NAHC AND FMC HE DEVOTED 1 75 HOURS PER WEEK TO EACH ORGANIZATION ROBERT M MONTOYA SERVES ON THE BOARD OF NAHC AND FMC HE DEVOTED 2 75 HOURS PER WEEK TO EACH ORGANIZATION MOLLY MUNGER SERVES ON THE BOARD OF NAHC AND FMC SHE DEVOTED 0 75 HOURS PER WEEK TO EACH ORGANIZATION GREGORY KUZMA IS THE VP AND CHIEF FINANCIAL OFFICER OF NAHC, FMC AND VVMC HE DEVOTED 20 HOURS PER WEEK TO EACH NAHC AND FMC, AND HE DEVOTED 11 HOURS TO VVMC WILLIAM BRADEL IS THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF NAHC AND FMC HE DEVOTED 20 HOURS PER WEEK TO EACH ORGANIZATION RICHARD SMITH IS THE VP OF DEVELOPMENT OF FMC AND VVMC HE DEVOTED 20 HOURS PER WEEK TO EACH ORGANIZATION RICHARD SMITH IS THE VP OF DEVELOPMENT OF FMC AND VVMC HE DEVOTED 20 HOURS PER WEEK TO EACH ORGANIZATION RICHARD SMITH IS THE VP OF DEVELOPMENT OF FMC AND VVMC HE DEVOTED 20 HOURS PER WEEK TO EACH ORGANIZATION ALL COMPENSATION IS PAID BY NAHC

ldentifier	Return Reference	Explanation
FORM 990, PART XI, LINE 5	EXPLANATION OF OTHER CHANGES IN NET ASSETS	UNREALIZED GAIN/LOSS IN INVESTMENT \$16,111,692 DECREASE IN UNFUNDED PENSION LIABILITY 14,484,000 NET ASSET TRANSFERS FROM (TO) AFFILIATE (4,110,000) PARTNERSHIP K1 BOOK AND TAX DIFFERENCES 555,865 ELIMINATIONS (384,023) TOTAL \$26,657,534 ===========

ldentifier	Return Reference	Explanation
SCHEDULE K, PART I	SUPPLEMENTAL INFORMATION	LINE A - THE NAME OF THE ISSUE IS HOSPITAL REVENUE REFUNDING BONDS (NORTHERN ARIZONA HEALTHCARE SYSTEM) SERIES 2008A THIS ISSUE REFUNDS BONDS FROM 12/12/96 AND 10/31/02 TOTAL ISSUANCE PRICE WAS \$57,096,705 WHICH WAS ALLOCATED \$45,703,133 TO FLAGSTAFF MEDICAL CENTER AND \$11,393,572 TO VERDE VALLEY MEDICAL CENTER LINE B - THE NAME OF THE ISSUE IS \$52,795,000 HOSPITAL REVENUE BONDS (NORTHERN ARIZONA HEALTHCARE SYSTEM) SERIES 2008B THIS ISSUE REFUNDS BONDS FROM 1/27/05 TOTAL ISSUANCE PRICE WAS \$52,795,000 WHICH WAS ALLOCATED \$20,326,075 TO FLAGSTAFF MEDICAL CENTER AND \$32,468,925 TO VERDE VALLEY MEDICAL CENTER THE 2008B BONDS WERE ALSO USED, IN PART, TO FINANCE "NEW MONEY" PROJECTS \$10,073,432 20 WAS USED FOR BUILDINGS AND LONG-LIVED EQUIPMENT

ldentifier	Return Reference	Explanation
FORM 990, PART V, QUESTION 5A	PARTY TO PROHIBITED TAX SHELTER TRANSACTION	FLAGSTAFF MEDICAL CENTER IS FILING FOUR FORMS 8886, REPORTABLE TRANSACTION DISCLOSURE STATEMENT, ON A PROTECTIVE BASIS TO REPORT ITS INTERESTS IN THE FOLLOWING LIMITED PARTNERSHIPS LC ENTERPRISES LP (DISSOLVED 6/2011), JORDAN FAMILY INVESTMENTS LP, NAAM ENTERPRISES LP, AND GKC ENTERPRISES LP (INTEREST REDEEMED 1/9/2012) FLAGSTAFF MEDICAL CENTER IS FILING ONE FORM 8886 TO REPORT ITS INTEREST IN DUDDIE FAMILY LIMITED PARTNERSHIP FLAGSTAFF MEDICAL CENTER IS NOT REQUIRED TO DISCLOSE THE DUDDIE FAMILY LP ON FORM 8886-T, DISCLOSURE BY TAX-EXEMPT ENTITY REGARDING PROHIBITED TAX SHELTER TRANSACTION, BECAUSE IT RECEIVED THE DONATED LIMITED PARTNERSHIP INTEREST PRIOR TO MAY 17, 2006 TREAS REG 1 6033-5(D)(4) ("[D]ISCLOSURE IS NOT REQUIRED WITH RESPECT TO ANY PROHIBITED TAX SHELTER TRANSACTION ENTERED INTO BY A TAX-EXEMPT ENTITY ON OR BEFORE MAY 17, 2006")

Identifier Return Reference	Explanation
8886, 1 OF 5 LIMITED PARTNERSHIP	LINE 6 AC NOTE. THE TAX ADVICE PROVIDED BY ERNST & YOUNG LLP, FENDEMORE CRAIG, P.C., AND POLSINELLI SHUGHART PC WAS LIMITED TO ADVICE PETTAINING TO THE DISCLOSURE OF THE TRANSACTION DISCRIBED IN THIS FORM BASIS THE SERVICES PROVIDED BY ERNST & YOUNG LLP, FENDEMORCE CRAIG, P.C., AND POLSINELLI SHUGHART PC DID NOT INVOLVE ANY TAX ADVICE PETTAINING TO THE STRUCTURING OF THE TRANSACTION DISCLOSURE AND RELATED OBLIGATIONS THE FEES PAID BY THE TAXPAYER RE OF DOND ITS REPORTABLE TRANSACTION DISCLOSURE AND RELATED OBLIGATIONS. THE FEES PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, FENDEMORE CRAIG, P.C., AND POLICIAIN THE FEES PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, FENDEMORE CRAIG, P.C., AND POLICIAIN THE FEES PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, FENDEMORE CRAIG, P.C., AND POLICIAIN TO RESIDE AND THE TAXPAYER TO ERNST & YOUNG LLP, FENDEMORE CRAIG, P.C., AND POLICIAIN THE PETS PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, FENDEMORE CRAIG, P.C., AND POLICIAIN THE PETS PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, FENDEMORE CRAIG, P.C., AND POLICIAIN THE PETS PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, FENDEMORE CRAIG, P.C., AND POLICIAIN THE PETS PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, FENDEMORE PAID AND POLICIAIN THE PETS PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, FENDEMORE PAID AND POLICIAIN THE PETS

ldentifier	Return Reference	Explanation
FORM 8886, 1 OF 5	THE DUDDIE FAMILY LIMITED PARTNERSHIP	AFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS A LIMITED PARTNER THEREFORE, FLAGSTAFF IS UNABLE TO PROVIDE AN ESTIMATE OF ANY SUCH EXPECTED TAX BENEFITS A DDITIONALLY, THERE SHOULD BE NO DISCLOSURE TO THE EXTENT THAT FLAGSTAFF IS VIEWED AS ENTER ING INTO THE PARTNERSHIP SOLELY PRIOR TO FEBRUARY 28, 2000 THE ORIGINAL TEMP TREAS REGS ISSUED FEBRUARY 28, 2000 UNDER TREAS REG SECTION 1 6011-4T MAY GOVERN FLAGSTAFFS PART ICIPATION IN THE PARTNERSHIP THESE TREAS REGS REQUIRE DISCLOSURE ONLY FOR LARGE TRANSAC TIONS THAT PROVIDE TAX SAVINGS IN EXCESS OF CERTAIN DOLLAR THRESHOLDS (THE "PROJECTED TAX EFFECT TEST, AS DESCRIBED IN THESE REGULATIONS, REQUIRE A TRANSACTION TO BE REPORTED WHERE IT IS EXPECTED TO REDUCE THE TAXPAYER'S FEDERAL INCOME TAX LIABILITY BY MORE THAN \$1 MILLION IN ANY SINGLE TAXABLE YEAR OR BY A TOTAL OF \$2 MILLION FOR ANY COMBINATION OF TAXABLE YEARS HOWEVER, A LISTED TRANSACTION IS NOT TREATED AS A REPORTABLE TRANSACTION IF IT HAS AFFECTED THE TAXPAYER'S FEDERAL INCOME TAX LIABILITY AS R EPORTED ON ANY TAX RETURN FILED ON OR BEFORE FEBRUARY 28, 2000 BECAUSE FLAGSTAFF IS A TAX - EXEMPT IR C SECTION 501(C)(3) BNTITY, FLAGSTAFFS PARTICIPATION IN THE PARTNERSHIP WAS NOT EXPECTED TO REDUCE ITS TAX LIABILITY AT ALL THEREFORE, UNDER TEMP TREAS REG SECTION 1 6011-4T, FLAGSTAFF MAY NOT HAVE A DISCLOSURE REQUIREMENT WITH RESPECT TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000 ** SINCE 2001, TEMP TREAS REG SECTION 1 6011-4T HAS BEEN MODIFIED A NUMBER OF TIMES BEFORE BEING FINALIZED IN 2003 BASED ON THE VARIOUS EFFECTIVE DATES FOR THE DIFFERENT SECTIONS THAT HAVE CHANGED, IT APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP TREAS REG SECTION 1 6011-4T IN T D 8877 MAY GOVERN THE DISCLOSURE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO ITS PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FEBRUARY 28, 2000, ON OCTOBER 5, 1995 FLAGSTAFF HAS NOT, NOR DOES NOT, EXPECT TO ITS PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNE

ldentifier	Return Reference	Explanation
FORM 8886, 2 OF 5	GKC ENTERPRISES LTD PARTNERSHIP	LINE 6 A-C NOTE THE TAX ADVICE PROVIDED BY ERNST & YOUNG LLP, FENNEMORE CRAIG, P.C., AND POLSINELLI SHUGHART PC WAS LIMITED TO ADVICE PERTAINING TO THE DISCLOSURE OF THE TRANSACTI ON DESCREED IN THIS FORM 888 IN THE SERVICES PROVIDED BY ERNST & YOUNG LLP, FENNEMORICE CRAIG, P.C., AND POLSINELLI SHUGHART PC DID NOT INVOLVE ANY TAX ADVICE PERTAINING TO THE STRUC TURRIS OF THE TRANSACTION DISCLOSURE AND RELATED OBLIGATIONS. THE FEED PART BY THE TRANSACTION DISCLOSURE AND RELATED OBLIGATIONS. THE FEED PAID BY THE TAXPAYER TO BE REPORTABLE TRANSACTION DISCLOSURE AND RELATED OBLIGATIONS. THE FEED PAID BY THE TAXPAYER TO GRISTS. 8 YOUNG LLP POLISHELLI SHUGHART PC AND PENNEMORE CRAIG, P.C. RELATE ONLY TO POST-TRANSACTIONAL TAX ADVICE CONCERNING ITS DISCLOSURE OBLIGATIONS AND ITS WITHDRAWAL FROM CKE BITEPRESSE LIMITED PARTISES. IN THE PERSON OF RAME TO CONTINUE TO THE PROTEST CONTINUE TO THE PROTEST SHORT OF THE PROTEST CONTINUE TO THE PROTEST CONTINUE. THE PROPERTY OF THE PROTEST CONTINUE TO THE PROTEST CONTINUE TO THE PROTEST CONTINUE AND THE PROTEST CONTINUE TO THE PROTEST CONTINUE TO THE PROTEST CONTINUE TO THE PROTEST ON THE PROTEST CONTINUE AND THE PROTEST CONTINUE TO THE PROTEST CONTINUE TO THE PROTEST ON THE PROTEST ON THE PROTEST ON THE PROTEST CONTINUE TO THE PROTEST CONTINUE TO THE PROTEST ON THE PROTES

Identifier Return Reference	Explanation
FORM 8886, 2 OF 5 ENTERPRISES LTD PARTNERSHIP	AX LIABILITY AS REPORTED ON ANY TAX RETURN FILED ON OR BEFORE FEBRUARY 28, 2000 BECAUSE F LAGSTAFF IS A TAX-EXEMPT IR C SECTION 501(C)(3) ENTITY, FLAGSTAFF'S PARTICIPATION IN THE PARTNERSHIP WAS NOT EXPECTED TO REDUCE ITS TAX LIABILITY AT ALL. THEREFORE, UNDER TEMP TREAS REG SECTION 1 6011-4T, FLAGSTAFF MAY NOT HAVE A DISCLOSURE REQUIREMENT WITH RESPEC T TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000 ** SINCE 2001, TEMP TR EAS REG SECTION 1 6011-4T HAS BEEN MODIFIED A NUMBER OF TIMES BEFORE BEING FINALIZED IN 2003 BASED ON THE VARIOUS EFFECTIVE DATES FOR THE DIFFERENT SECTIONS THAT HAVE CHANGED, IT APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP TREAS REG SECTION 1 6011-4T IN T.D. 8 877 MAY GOVERN THE DISCLOSURE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO ITS PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FEBR UARY 28, 2000, ON OR ABOUT DECEMBER 31, 1990 FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFIT FROM THE TRANSACTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GROSS INCOME, NONRE COGNITION OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER I. R.C. SECTION 501(C)(3) FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS LIMITED PARTNER

Identifier Return Refere	—
FORM LC 8886, 3 OF 5 LIMITED PARTNER:	APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP TREAS REG SECTION 1 6011-4T IN T D 8 877 MAY

Identifier	Return	Explanation
	Reference	p.=
FORM 8886, 4 OF 5	JORDAN FAMILY INVESTMENTS LIMITED PARTNERSHIP	INESD TAXPAY ER RECEVED THE SCHEDLE K-1 FROM THE ENTITY ON OR ABOUT THE TIME THE FORM 1 (65) WAS FILED WITH THE INTERNAL REV BILL SERVICE LINE 6 A-C NOTE THE TAX ADVICE PROVIDED BY BRNST 8 YOUNG LIF, FENNENGRE CRAIG, PC, AND POLSINELLIS HUGHART FO WAS LIMITED TO REC BIT ADVICE PROVIDED BY BRNST 8 YOUNG LIF, FENNENGRE CRAIG, PC, AND POLSINELLIS HUGHART FO REC BIT ADVICE PROVIDED BY BRNST 8 YOUNG LIF, FENNENGRE CRAIG, PC, AND POLSINELLIS HUGHART PC DID NOT INVOLVE ANY TAX ADVICE PERTAINING TO THE STRUCTURING OF THE TRANSACTION DISCLOSE D IN THIS FORM 888 OF A DIVISING THE TAXPAY PRIS POON ITS REPORT RIBLE TRANSACTION DISCLOSE D IN THIS FORM 888 OF A DIVISING THE TAXPAY PRIS POON ITS REPORT RIBLE TRANSACTION DISCLOSED IN THIS FORM 888 OF A DIVISING THE TAXPAY PRIS POON ITS REPORT RIBLE TRANSACTION DISCLOSED IN THIS PCRIM 88 OF A DIVISING THE TAXPAY PRIS POON TO RED THE TAXPAY PRIS POON IN THE TAXPAY PRIS POON THE LICENAL TAX ADVICE CONCRIN NO ITS POON THE TAXPAY PRIS POON TO RESENT A TOUR STRUCTURE TO THE TRANSACTION THE TAXPAY PRIS POON THE LICENAL TAX ADVICE CONCRIN NO ITS DISCLOSURE OBLIGATIONS AND ITS WITHDRAWAL FROM THE JORDAN FAMILY INVESTIGETS LICENAL BUT AND THE TAXPAY PRIS POON TO RESENT A TO THE FOLIADATION AND THE MOTHER DEPORT OF THE TRANSACTION AND THE TAXPAY PRIS POON THE STRUCTURE PRIST PRISE

FORM 8886, 4 OF 5 INVESTMENTS LIMITED PARTNERSHIP ECAUSE FLAGSTAFF IS A TAX-EXEMPT I R C SECTION 501(C)(3) ENTITY, FLAGSTAFF'S PARTICIPATIC
THE PARTNERSHIP WAS NOT EXPECTED TO REDUCE ITS TAX LIABILITY AT ALL. THEREFORE, UNDER TREAS REG. SECTION 1 6011-4T, FLAGSTAFF MAY NOT HAVE A DISCLOSURE REQUIREMENT WITH RESPECT TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000 ** SINCE 2001, TENTREAS REG. SECTION 1 6011-4T HAS BEEN MODIFIED A NUMBER OF TIMES BEFORE BEING FINAL IZED 2003 BASED ON THE VARIOUS EFFECTIVE DATES FOR THE DIFFERENT SECTIONS THAT HAVE CHAN APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP TREAS REG. SECTION 1 6011-4T INT D. 8877 GOVERN THE DISCLOSURE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO ITS PARTICI PATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FEBRUANDO, ON OR ABOUT DECEMBER 31, 1990 FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BE FROM THE TRANSACTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GROSS INCOME, NONRECOST OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROLOSS, OR TAX CREDITS FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER IR C. SEC. 501(C)(3) FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS PARTNER.

Identifier Return	Explanation e
FORM 8886, 5 OF 5 LIMITED PARTNERS	YOUNG LLP, FENNEMORE CRAIG, P.C., AND POLSINELLI SHUGHART PC WAS LIMITED TO RECENT ADVICE

ldentifier	Return Reference	Explanation
8886, 5 OF EN	IAAM INTERPRISES IMITED PARTNERSHIP	TED TO REDUCE ITS TAX LIABILITY AT ALL. THEREFORE, UNDER TEMP TREAS REG SECTION 1 6011 -4T, FLAGSTAFF MAY NOT HAVE A DISCLOSURE REQUIREMENT WITH RESPECT TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000 ** SINCE 2001, TEMP TREAS REG SECTION 1 6011-4 T HAS BEEN MODIFIED A NUMBER OF TIMES BEFORE BEING FINALIZED IN 2003 BASED ON THE VARIOUS EFFECTIVE DATES FOR THE DIFFERENT SECTIONS THAT HAVE CHANGED, IT APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP TREAS REG SECTION 1 6011-4T IN T D 8877 MAY GOVERN THE DISCLOS URE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO ITS PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FEBRUARY 28, 2000, ON OR ABOUT DECEMBER 31, 1990 FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFIT FROM THE TRANSA CTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GROSS INCOME, NONRECOGNITION OF GAIN, TAX CRE DITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX C REDITS FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER IR C SECTION 501(C)(3) F LAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS LIMITED PARTNER

DLN: 93493135062112

OMB No 1545-0047

2010

Open to Public

SCHEDULE R (Form 990)

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37. ► Attach to Form 990. ► See separate instructions. Department of the Treasury

emal Revenue Se	ervice						In	spectior	n
ame of the AGSTAFF MED	organization PICAL CENTER					Employer ident	ification number		
						86-0110232			
Part I	Identification	n of Disregarded Entities (Comp	olete if the organizatio	n answered "Yes"	on Form 990, Part	IV, line 33.)			
	Name, address, a	(a) nd EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity		
		n of Related Tax-Exempt Organ d tax-exempt organizations during		if the organization	answered "Yes" o	n Form 990, Part	IV, line 34 becaus	e it had	one
N	lame, address, and E	(a) IN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	Section 51 contr organi	12(b)(: rolled
								Yes	No
1) NORTHERN	I ARIZONA HEALTHCA	RE							
OST OFFICE B LAGSTAFF, AZ 4-2410946			HEALTHCARE	AZ	501(C)3	9	NONE		
	LEY MEDICAL CENTE	₹							
			HEALTHCARE	AZ	501(C)3	3	NAH		
86-0100882									
								1	

Part III	Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, I	ine 34
	because it had one or more related organizations treated as a partnership during the tax year.)	

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h Disprop allocat	ortionate	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j Gene mana part	ral or aging	(k) Percentage ownership
							Yes	No		Yes	No	<u>I</u>
(1) ALLIANCE MED LAB 20-0584165	LAB SERVICES	AZ	NA	RELATED	335,642	0		No	-1,328		No	100 000 %
(2) TASC LLC 86-0913157	AMBULATORY SVCS	AZ	NA	RELATED	104,495	1,091,243		No	0	Yes		65 000 %
Part IV Identi	fication of Relat	ed Org	anizations Tax	able as a Corpor	ation or Trust	(Complete if the o	organi	ızatıon	answered "Yes"	on Fo	orm 9	90, Part IV,

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b)	(c) Legal domicile	(d)	(e) Type of entity	(f) Share of total income	(g) Share of	(h)
Name, address, and EIN of felated organization	Primary activity	(state or foreign country)	Direct controlling entity	(C corp, S corp, or trust)	Share of total income	end-of-year assets	Percentage ownership
(1) UNITRUSTS (2)	HOSPITAL SUPPORT	AZ	FMC	TRUST			

(6)

Note. Complete line 1 if any entity is listed in Parts II, III or IV				Yes	No
$\textbf{1} \ During \ the \ tax \ year, \ did \ the \ orgranization \ engage \ in \ any \ of \ the \ following \ transactions \ with \ one \ or \ more \ related \ organization \ organizati$	anızatıons lısted ın Pari	ts II-IV?			
a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity			1a		No
b Gift, grant, or capital contribution to other organization(s)			1b		No
c Gift, grant, or capital contribution from other organization(s)			1 c		No
d Loans or loan guarantees to or for other organization(s)			1d		No
e Loans or loan guarantees by other organization(s)			1e		No
f Sale of assets to other organization(s)			1f		No
g Purchase of assets from other organization(s)			1 g		No
h Exchange of assets			1h		No
i Lease of facilities, equipment, or other assets to other organization(s)			1i	Yes	
${f j}$ Lease of facilities, equipment, or other assets from other organization(s)			1j	Yes	
${f k}$ Performance of services or membership or fundraising solicitations for other organization(s)			1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)			11		No
m Sharing of facilities, equipment, mailing lists, or other assets			1m		No
n Sharing of paid employees			1n	Yes	
• Reimbursement paid to other organization for expenses			10		No
p Reimbursement paid by other organization for expenses			1p	Yes	
q O ther transfer of cash or property to other organization(s)			1q		
r Other transfer of cash or property from other organization(s)			1r	Yes	
2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line,	including covered relat	ionships and transacti	on thresholds		
(a)	(b) Transaction	(c)	(d) Method of determin	una ame	ount
Name of other organization	type(a-r)	Amount involved	involved		
1) VERDE VALLEY MEDICAL CENTER	р	15,111,010			
2) VERDE VALLEY MEDICAL CENTER	r	15,228			
3) ALLIANCE MED LAB	R	691,520			
4) THE AMBULATORY SURGI-CENTER OF FMC LLC	R	0			
5)					

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

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

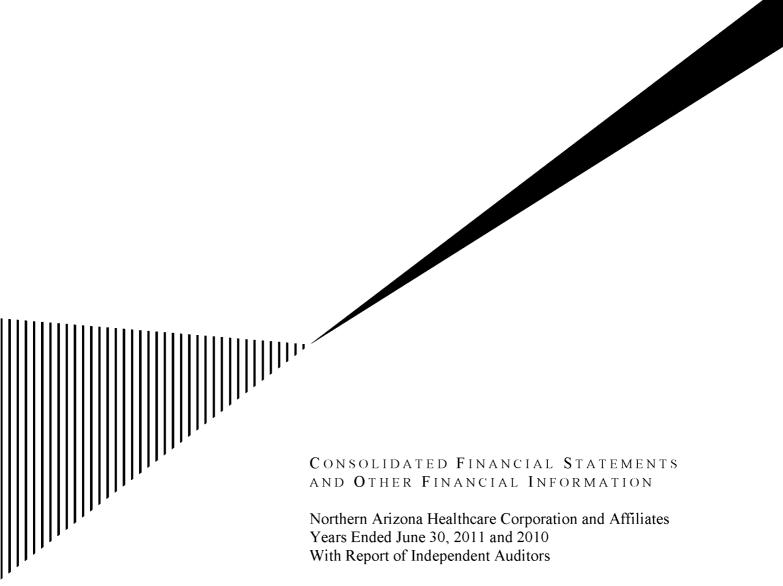
(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d Are parti sect 501(d organiz	ners :ion :)(3) :ations?	(e) Share of end-of-year assets		ortionate cions?	(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(l Gene mana part	agıng tner?
			Yes	No		Yes	No		Yes	No
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Part VII Supplemental Information

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

Identifier Return Reference Explanation

Schedule R (Form 990) 2010



Ernst & Young LLP



Consolidated Financial Statements and Other Financial Information

Years Ended June 30, 2011 and 2010

Contents

Report of Independent Auditors	1
Audited Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5
Other Financial Information	
Independent Auditors' Report on Other Financial Information	26
Consolidating Statement of Financial Position	27
Consolidating Statement of Activities	28



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Report of Independent Auditors

Board of Directors Northern Arizona Healthcare Corporation

We have audited the accompanying consolidated statements of financial position of Northern Arizona Healthcare Corporation and Affiliates (the Corporation) as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended These financial statements are the responsibility of the Corporation's management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 the Corporation'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 the Corporation's internal control over financial reporting Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 Northern Arizona Healthcare Corporation and Affiliates at June 30, 2011 and 2010, and the consolidated results of their activities and their cash flows for the years then ended in conformity with U S generally accepted accounting principles

September 13, 2011

1105-1259492

Ernst + Young LLP

Consolidated Statements of Financial Position

	June 30			0
		2011		2010
		(In Tho	แรณ	nds)
Assets				
Current assets				
Cash and cash equivalents	\$	75,930	\$	47,796
Accounts receivable, less allowance for doubtful accounts of				
\$72,266,000 in 2011 and \$68,997,000 in 2010		61,789		57,455
Inventories		8,871		8,980
Third-party payor settlements		2,390		2,048
Prepaid expenses and other		9,911		11,135
Total current assets		158,891		127,414
Assets whose use is limited		372,153		333,684
Property and equipment, net		234,147		232,931
Deferred charges and other assets		18,239		18,518
Related party note receivable		_		3,000
Total assets		783,430	\$	715,547
Liabilities and net assets				
Current liabilities				
Accounts payable	\$	12,540	\$	9,760
Accrued expenses		35,631		33,386
Current portion of long-term debt		3,105		4,520
Total current liabilities		51,276		47,666
Long-term debt, less current portion		178,190		186,241
Accrued pension liability		59,430		72,478
Other liabilities		4,712		6,073
Total liabilities		293,608		312,458
N		400.000		402.000
Net assets		489,822	Φ.	403,089
Total liabilities and net assets		783,430	\$	715,547

See accompanying notes.

Consolidated Statements of Activities

	Year Ended June 30		
	2011	2010	
	(In Tho	usands)	
Revenue			
Net patient service	\$ 541,512	\$ 528,255	
Provision for doubtful accounts	(48,599)	(39,597)	
Net patient service revenue less provision for doubtful accounts	492,913	488,658	
Other	11,835	12,560	
Total revenue	504,748	501,218	
Expenses			
Salaries and wages	195,705	186,118	
Employee benefits	53,555	52,278	
Professional fees	19,303	19,013	
Supplies, services and other	160,800	161,276	
Depreciation and amortization	33,114	33,783	
Interest	5,233	5,198	
Total expenses	467,710	457,666	
Income from operations	37,038	43,552	
Investment income	29,560	19,934	
Contributions	704	967	
Other (expense) income	(1,055)	236	
Excess of revenue over expenses	66,247	64,689	
Decrease (increase) in unfunded pension liability	20,486	(15,165)	
Increase in net assets	86,733	49,524	
Net assets at beginning of year	403,089	353,565	
Net assets at end of year	\$ 489,822	\$ 403,089	

See accompanying notes.

Consolidated Statements of Cash Flows

	Year Ended June 3			une 30
		2011		2010
		(In Thou	ısar	ıds)
Operating activities				
Increase in net assets	\$	86,733	\$	49,524
Adjustments to reconcile increase in net assets to				
net cash provided by operating activities				
Increase in investments designated as trading		(38,469)		(36,362)
(Decrease) increase in unfunded pension liability		(20,486)		15,165
Provision for doubtful accounts		48,599		39,597
Depreciation and amortization		33,114		33,783
Impairment charge		2,140		_
Net change in current assets and current liabilities,				
exclusive of cash and cash equivalents		(46,917)		(34,613)
Increase (decrease) in accrued pension and other liabilities		6,077		(4,502)
Net cash provided by operating activities		70,791		62,592
Investing activities				
Purchases of property and equipment		(34,224)		(28,490)
Decrease (increase) in deferred charges and other assets		1,033		(6,660)
Net cash used in investing activities		(33,191)		(35,150)
Financing activities				
Repayments of debt		(9,466)		(4,046)
Net cash used in financing activities		(9,466)		(4,046)
Increase in cash and cash equivalents		28,134		23,396
Cash and cash equivalents at beginning of year		47,796		24,400
Cash and cash equivalents at end of year	\$	75,930	\$	47,796
Supplemental cash flow information	_			
Cash paid for interest	\$	5,203	\$	5,281

See accompanying notes.

Notes to Consolidated Financial Statements

June 30, 2011

1. Organization

Description of Business

Northern Arizona Healthcare Corporation (the Corporation) is a not-for-profit tax-exempt corporation which provides home health and hospice operations, and administrative and other services to affiliated organizations. The Corporation controls the activities of the following affiliated organizations

- Flagstaff Medical Center, Inc (FMC), a not-for-profit tax-exempt corporation located in Flagstaff, Arizona, provides general medical and surgical acute care, behavioral health services, and a full range of outpatient services
- Verde Valley Medical Center (VVMC), a not-for-profit tax-exempt corporation located in Cottonwood, Arizona, provides general medical and surgical acute care, senior behavioral health service, and a full range of outpatient services

FMC and VVMC comprise the Obligated Group as defined in the Master Trust Indenture dated November 1, 1996, between Flagstaff Medical Center, Inc., Verde Valley Medical Center and Bank of New York Mellon Trust Company N A, as Master Trustee

The Corporation and its affiliated organizations have investments in joint ventures, which include

- Northern Arizona Senior Living Community, L L C, d/b/a The Peaks (The Peaks) is 50% owned by the Corporation The Peaks operates a senior living, mentoring, and skilled nursing facility located in Flagstaff, Arizona The Peaks is accounted for using the equity method of accounting
- The Ambulatory Surgi-Center at Flagstaff Medical Center, LLC (TASC) is an ambulatory surgery center which provides primarily outpatient surgery services to patients as an alternative to providing these services at a hospital facility As of June 30, 2011, TASC is 65% owned by FMC, and the accounts of TASC have been consolidated in the accompanying consolidated financial statements

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

Mission Statement

The primary mission of the Corporation is to improve the health of the people and communities that the Corporation serves

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Corporation and each of its controlled affiliates All significant intercompany accounts and transactions have been eliminated in consolidation

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less, excluding amounts whose use is limited by the Corporation's Board of Directors (the Board) designation or other arrangements under trust agreements

Fair Value of Financial Instruments

Carrying value of financial instruments classified as current assets and current liabilities approximates fair value based on the liquidity of these financial instruments and the short-term maturities of these instruments

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Patient Accounts Receivable

Net patient accounts receivable and net patient service revenue have been adjusted to the estimated amounts expected to be received based on contracted rates for the services rendered These estimated amounts are subject to further adjustments upon review by third-party payors For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard or discounted rates Historically, a significant portion of the uninsured patients will be unable or unwilling to pay for the services provided Accordingly, the Corporation records an allowance for doubtful accounts and provision for doubtful accounts, related to uninsured patients, in the period the services provided based on historical collection experience

Inventories

Inventories, consisting principally of supplies, are stated at the lower of cost (first-in, first-out method) or market

Assets Whose Use is Limited

Assets whose use is limited include investments set aside by the Board for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes In addition, assets whose use is limited include assets held by a trustee under bond indenture agreements

Investments in equity securities, with readily determinable fair values, and all investments in U S Treasury securities, corporate debt securities and registered investment funds are measured at fair value in the accompanying consolidated statements of financial position Fair value is established based on active quoted prices from recognized securities exchanges. The Corporation has determined that all investments held at June 30, 2011 and 2010, are designated as trading securities. Accordingly, both realized and unrealized gains or losses on investments have been included in the excess of revenue over expenses.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair value on the date received, if donated Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method Equipment under capital lease obligations is

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

Long-Lived Asset Impairment

The Corporation reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. The Corporation considers assets to be impaired and writes them down to fair value if expected associated cash flows are less than the carrying amounts. Fair value is determined to be the present value of the associated assets cash flows. The Corporation determined that no long-lived assets were impaired as of June 30, 2010. During 2011, the Corporation recorded an impairment loss of approximately \$2,140,000 related to land held in Camp Verde, Arizona. The impairment loss is recorded within other (expense) income on the consolidated statements of activities.

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, discounts from established charges, and per diem payments

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Community Benefit

The Corporation provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates A patient is classified as a charity patient by reference to certain policies established by the Corporation as to the ability of the patient to pay Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not recorded as revenue Partial payments to which the Corporation is entitled from public assistance and other programs, on behalf of patients, that meet the charity care policy of the Corporation are reported as net patient service revenue

For the year ended June 30, 2011 and 2010, costs incurred by the Corporation in the provision of charity care, community benefit services rendered, and the unpaid costs of programs with the Arizona Health Care Cost Containment System (AHCCCS) and Medicare program amounted to \$85,104,000 and \$81,383,000, respectively The following is a summary of the Corporation's net community benefit for the years ended June 30

		2011		2010	
	(In Thousands,				
Charity care provided	\$	1,392	\$	702	
Other community benefit		5,307		3,032	
Unpaid costs of AHCCCS program		46,331		51,533	
		53,030		55,267	
Unpaid costs of Medicare program		32,074		26,116	
	\$	85,104	\$	81,383	

Tax Status

The Corporation is a not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements. The Corporation's management is not aware of any events that would cause the Corporation to become disqualified. In accordance with accounting guidance, Management has reviewed all open tax years and has determined that the Corporation has no significant uncertain tax positions.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 presentation, primarily related to the reclassification of the provision for doubtful accounts within total revenue, as a result of adopting the patient service revenue accounting standard

New Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued an accounting standard will require the measurement of the amount of charity care provided to be based on the direct and indirect costs of providing that care The accounting standard will be effective for the Corporation beginning July 1, 2011, with retrospective application for all periods presented Management is currently evaluating the effect of adopting this accounting standard on the consolidated financial statements

In August 2010, the FASB issued an accounting standard relating to the accounting and disclosure of insurance claims and related insurance recoveries. The accounting standard will require companies to report the estimated ultimate cost of malpractice claims as a liability and any anticipated insurance recoveries will be reported as an asset on the statement of financial position. The malpractice liability cannot be reported net of anticipated insurance recoveries. The accounting standard will be effective for the Corporation on July 1, 2011. Management is currently evaluating the effect of adopting this accounting standard on the consolidated financial statements.

In May 2011, the FASB issued an accounting standard which further amends fair value measurement and disclosure requirements in U S generally accepted accounting principles. The accounting standard will require additional disclosure relating to transfers of any financial instruments between Level 1 and Level 2 of the fair value hierarchy, disclosure of the fair value hierarchy level for items that not recorded at fair value in the financial statements but are required to disclose the fair value of the item, and disclosure of additional quantitative information about the unobservable inputs used in the fair value measurement of financial instruments categorized within Level 3 of the fair value hierarchy. The accounting standard will be effective for the Corporation on July 1, 2012. Management is currently evaluating the effect of adopting this accounting standard on the consolidated financial statements.

Northern Arizona Healthcare Corporation and Affiliates Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In July 2011, the FASB issued an accounting standard relating to the presentation and disclosure of patient service revenue, provision for doubtful accounts and the allowance for doubtful accounts for certain health care entities. The accounting standard will require health care providers to report the provision for doubtful accounts as a reduction of net patient service revenue in the consolidated statement of activities. In addition, the notes to the financial statements will include additional disclosures relating to the methods used to recognize net patient service revenue, amount of net patient service revenue recognized by major payor source, methods used to analyze the allowance for doubtful accounts by major payor source, and any significant changes to the allowance for doubtful accounts. The Corporation elected to early adopt this accounting standard in the June 30, 2011 consolidated financial statements

Subsequent Events

There are two types of subsequent events recognized subsequent events, which provide additional evidence about conditions that existed at the balance sheet date, and nonrecognized subsequent events, which provide evidence about conditions that did not exist at the balance sheet date, but arose before the financial statements were issued Recognized subsequent events are required to be recognized in the financial statements, and nonrecognized subsequent events are required to be disclosed. In the preparation of the accompanying financial statements, the Corporation has evaluated subsequent events through the date of issuance, September 13, 2011. There were no subsequent events which required disclosure.

Notes to Consolidated Financial Statements (continued)

3. Net Patient Service Revenue

A summary of the payment arrangements with major third-party payors follows

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates. FMC and VVMC's Medicare reimbursement is subject to final settlement with the Medicare program, based on the annual hospital specific rate per discharge. Final settlement with the Medicare program is determined after submission of annual cost reports by the Corporation and audit thereof by the Medicare fiscal intermediary. Approximately 32% and 31% of the Corporation's net patient service revenue was derived from the Medicare program in 2011 and 2010, respectively

The Medicare cost reports of the Corporation have been audited by the fiscal intermediary through June 30, 2007 Management believes that estimated accrued settlements related to unaudited cost reports are adequate Estimates are continually monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations Laws and regulations governing the Medicare program are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term

The Corporation recorded a change in estimate to the third-party payor settlements which resulted in an increase to net patient service revenue of \$1,381,000 in 2011 and a decrease to net patient service revenue of \$965,000 in 2010

AHCCCS – Inpatient and outpatient services rendered to AHCCCS program beneficiaries are reimbursed under per diem and fee schedule or discounted charge methodologies, respectively Approximately 12% of the Corporation's net patient service revenue was derived from the AHCCCS program in 2011 and 2010

Other Payors – The Corporation also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge or discounts from established charges Approximately 48% of the Corporation's net patient service revenue was derived from other third-party payors in 2011 and 2010

Notes to Consolidated Financial Statements (continued)

3. Net Patient Service Revenue (continued)

Self pay – Inpatient and outpatient services rendered to self pay patients are recorded at the Corporation's standard rates Approximately 8% and 9% of the Corporation's net patient service revenue was derived from self pay patients in 2011 and 2010, respectively

4. Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are insured under third-party payor agreements which include (i) Medicare, (ii) AHCCCS or AHCCCS plans, (iii) private payors, and (iv) others, including commercial carriers and health maintenance organizations. The following table summarizes the percent of gross accounts receivable from all payors as of June 30.

	2011	2010
Medicare	27%	26%
AHCCCS	24	27
Self pay	15	16
Other third-party payors	34	31
	100%	100%

Self pay and other amounts due consist of receivables from various payors, including individuals involved in diverse activities subject to differing economic conditions. Management does not believe there are any significant credit risks associated with accounts receivable, except for self pay accounts. Furthermore, management continually monitors and adjusts its allowances (contractual and doubtful accounts) associated with these receivables.

5. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

As a basis for considering such assumptions, the Corporation utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows

- Level 1 Pricing is based on observable inputs such as quoted prices in active markets Financial assets in Level 1 include cash, money markets, U.S. Treasury securities, registered investment funds and listed equity securities
- Level 2 Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities Financial assets in Level 2 include corporate debt securities
- Level 3 Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including but not limited to private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates

Assets measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are identified in the tables below. The valuation techniques are as follows

- (a) *Market approach* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities
- (b) Cost approach Amount that would be required to replace the service capacity of an asset (replacement cost)
- (c) *Income approach* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models)

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The following table outlines the fair value techniques used for financial assets carried at fair value (assets whose use is limited, and cash and cash equivalents) as of June 30, by the level of observable input and the valuation technique

	Balance at June 30 2011		Quoted Prices In Active Markets for Identical Assets (Level 1)		(Significant Other Observable Inputs (Level 2)		Significant nobservable Inputs (Level 3)	Valuation Technique (a,b,c)	
			(In Thousands)							
Cash and cash equivalents										
Cash	\$	74,279	\$	74,279	\$	_	\$	_	a	
Money market		1,651		1,651		_		_	a	
Total cash and cash										
equivalents		75,930	\$	75,930	\$	_	\$	_	=	
Assets whose use is limited Cash Equities, primarily U S holdings U S Treasury securities	\$	221,207 38,857 31,141	\$	221,207 38,857 31,141	\$	- - -	\$	- - -	a a a,c	
Corporate debt securities. primarily U S holdings Registered investment funds U S equities		10,759 46,382		46,382		10,759		-	a,c a	
International equities		23,807		23,807		_		_	a	
Total assets whose use is	-	20,007		20,007					- "	
limited	\$	372,153	\$	361,394	\$	10,759	\$		=	

Northern Arizona Healthcare Corporation and Affiliates Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

	Balance at June 30 2010		Quoted Prices In Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)		Significant nobservable Inputs (Level 3)	Valuation Technique (a,b,c)
				(In The	ousc	ands)			
Cash and cash equivalents									
Cash	\$	47.022	\$	47.022	\$	_	\$	_	a
Money market		774		774					_ a
Total cash and cash									
equivalents	\$	47,796	\$	47,796	\$		\$		_
Assets whose use is limited									
Cash	\$	156,686	\$	156,686	\$	_	\$	_	a
Equities, primarily U S									
holdings		30,093		30,093		_		_	a
U S Treasury securities		73,267		73,267		_		_	a.c
Corporate debt securities.									
primarily US holdings		20,579		_		20,579		_	a.c
Registered investment funds									
US equities		34,810		34,810		_		_	a
International equities		18,249		18,249		_		_	a
Total assets whose use is									_
limited	\$	333,684	\$	313,105	\$	20,579	\$	_	_

6. Assets Whose Use Is Limited

The Corporation's affiliates maintain property and equipment acquisition programs in accordance with actions taken by their Boards Such monies may be used from time to time for various purposes, including the acquisition of new property and equipment

Notes to Consolidated Financial Statements (continued)

6. Assets Whose Use Is Limited (continued)

Certain investments, included within assets whose use is limited, are held by a trustee under indenture agreements and are restricted for the following purposes at June 30

	2011		2010
	(In Thousands)		
Restricted for the construction of property and the acquisition of equipment	\$ 584	\$	2,866
Restricted for use in debt service reserve funds to provide for the repayment of bonds	1,659		1,659
	\$ 2,243	\$	4,525

A summary of investment income, for the years ended June 30, follows

	 2011		2010		
	(In Thousands)				
Interest income	\$ 3,178	\$	3,879		
Realized gain, net	5,093		1,607		
Unrealized gain, net	21,289		14,448		
	\$ 29,560	\$	19,934		

7. Property and Equipment

A summary of property and equipment, at June 30, follows

	2011 201			2010	
		(In Thousands)			
Land and improvements	\$	19,770	\$	18,555	
Buildings and improvements		261,760		254,113	
Equipment		214,629		205,063	
		496,159		477,731	
Less accumulated amortization and depreciation		278,745		255,562	
_		217,414		222,169	
Construction in progress		16,733		10,762	
	\$	234,147	\$	232,931	

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt

A summary of long-term debt, at June 30, follows

	2011		2010			
	(In Thousands)					
Series 1998 Hospital Revenue Bonds, collateralized by property and equipment, bearing interest that is fixed annually at rates ranging from 4 75% to 5 0% with principal due in annual installments of \$1,215,000 to \$8,355,000 through October 2030. The unamortized discount was approximately \$1,194,000 at June 30, 2011 and \$1,285,000 at June 30, 2010. The bond discount is amortized using the effective-interest method over the life of the bonds. The average interest rate for the years ended June 30, 2011 and 2010 was 4.8%	\$ 63,156	\$	67.350			
Series 1996A Hospital Revenue Bonds, collateralized by property and equipment, bearing interest that is fixed annually at 5 25% Principal is due in annual installments ranging from \$730,000 to \$1,575,000 through October 2026 The unamortized bond discount was approximately \$277,000 at June 30, 2011 and \$303,000 at June 30, 2010 The bond discount is amortized using the effective-interest method over the life of the bonds. The average interest rate for the years ended June 30, 2011 and 2010 was 5 3%	15,057		17.511			
Series 2008A Hospital Revenue Refunding Bonds, collateralized by property and equipment, bearing a variable rate of interest that is based on the Federal Funds Rate as defined by the related bond agreement Principal is due in semiannual installments ranging from \$850,000 to \$1,596,705 through July 2033. The average interest rate for the years ended June 30, 2011 and 2010 was 10%	52,182		53,867			
Series 2008B Hospital Revenue Bonds, collateralized by a direct-pay letter of credit, bearing a variable rate of interest that is determined weekly as defined by the related bond agreement. Principal is due in annual installments ranging from \$1,035,000 to \$4,575,000 through December 2039. The average interest rate for the years ended June 30, 2011 and 2010 were 1.2% and 1.0%, respectively.	49,980		51.575			
Other	920		458			
	181,295		190,761			
Less current portion	3,105		4,520			
Long-term debt	 178,190	\$	186,241			

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt (continued)

The bond agreements relating to certain loans place restrictions on the operations of the Obligated Group members, which among other things includes minimum debt service coverage ratios, minimum liquidity ratios, limits on encumbrances and liens, and minimum insurance coverage At June 30, 2011, the Obligated Group was in compliance with these debt covenants

The Series 2008B Hospital Revenue Bonds are demand securities which are secured by a direct pay letter of credit Any draws on the direct pay letter of credit are to be repaid over a seven year period commencing more than one year after the draw date. The direct pay letter of credit terminates in January 2012. There were no draws on the direct pay letter of credit as of June 30, 2011.

The estimated fair value of the Corporation's long-term debt, at June 30, 2011 and 2010, approximated \$187,351,000 and \$191,435,000, respectively. The estimated fair value was determined for the Series 1998 and 1996A Hospital Revenue Bonds based on quoted market values. Carrying values related to Series 2008A and 2008B Hospital Revenue Bonds approximate fair value.

Principal maturities of long-term debt for each of the next five years ended June 30 and in the aggregate thereafter follow

	(In Thousand	ds)
2012	\$ 3,10)5
2013	3,12	24
2014	3,80)9
2015	5,44	1 7
2016	5,65	59
Thereafter	160,15	51
	\$ 181,29) 5

A summary of bond interest costs, for the years ended June 30, follows

	 2011		2010			
	(In Thousands)					
Interest cost						
Charged to operations	\$ 5,233	\$	5,198			
Capitalized	122		268			
Total	\$ 5,355	\$	5,466			

Notes to Consolidated Financial Statements (continued)

9. Pension Plans

Defined Benefit Pension Plan

The Corporation has a noncontributory defined benefit pension plan (Pension Plan), which covers substantially all of its employees whose employment began prior to July 1, 2000 The Pension Plan provides a defined benefit based on years of service and final average salary The Corporation uses a measurement date of June 30 for the Pension Plan

The Corporation recognizes the funded status (i e, the difference between the fair value of plan assets and the projected benefit obligation) of its Pension Plan on the consolidated statements of financial position, with a corresponding adjustment to net assets. The following table sets forth the Corporation's defined benefit pension plan funded status as of June 30 (using measurement dates of July 1, 2011 and 2010, respectively), as provided by consulting actuaries

	2011			2010
		(In The	านรด	ınds)
Change in benefit obligation				
Benefit obligation at beginning of year	\$	158,595	\$	128,051
Service cost		5,869		4,930
Interest cost		8,941		8,314
Actuarial (gain)/loss		(9,336)		21,473
Benefit payments		(4,422)		(3,768)
Administration expense		_		(405)
Benefit obligation at end of year	\$	159,647	\$	158,595
Change in plan assets				
Fair value of plan assets at beginning of year	\$	86,117	\$	66,650
Actual return on plan assets		12,815		7,443
Employer contribution		5,707		16,197
Benefit payments		(4,422)		(3,768)
Administration expense		_		(405)
Fair value of plan assets at end of year	\$	100,217	\$	86,117
Accrued pension liability	\$	(59,430)	\$	(72,478)
Unrecognized net actuarial loss	*	59,684	*	80,156
Unrecognized prior service cost		132		146

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

The accumulated benefit obligation for the defined benefit plan was \$135,090,000 and \$124,409,000 at June 30, 2011 and 2010, respectively

Net pension cost includes the following components for the years ended June 30

		2011		2010
		ids)		
Service cost	\$	5,869	\$	4,930
Interest cost		8,941		8,314
Expected return on plan assets		(7,383)		(5,694)
Recognized net actuarial loss		5,701		4,546
Amortization of prior service cost		17		17
Net periodic pension cost	\$	13,145	\$	12,113

Weighted-average assumptions used to determine benefit obligations, at June 30, were

	2011	2010
Discount rate	5.8%	5 7%
Rate of compensation increase	3.0	4 3
Expected return on plan assets	8.5	8 5

The Pension Plan's asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk Investments are diversified across classes, sectors, and manager style to minimize the risk of large losses. The Corporation uses investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines, which include allowable and/or prohibited investment types. The Corporation regularly monitors manager performance and compliance with investment guidelines.

The target allocations for plan assets are 50-80% equity securities, 20-40% fixed income securities, and 0-10% to cash Equity and registered investment fund securities include U S and international investments and range from large-cap to small-cap companies Fixed income securities include corporate debt securities of companies from diversified industries, mortgage-backed securities, and U S Treasury securities The expected rate of return actuarial assumption considers the historical long term rate of return of assets across all of these asset classes

Northern Arizona Healthcare Corporation and Affiliates Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

The fair values of the Pension Plan's assets at June 30, by asset category and fair value hierarchy level, are as follows

Asset Category		Salance at June 30	N Ide	noted Prices In Active Iarkets for ntical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant nobservable Inputs (Level 3)	Valuation Technique (a,b,c)
				(In The	านรด	ands)			
June 30, 2011			_		_		_		
Money markets	\$	32,665	\$	32,665	\$	_	\$	_	a
U S Treasury securities		10,713		10,713		_		_	a.c
Municipal bonds		2,375		_		2,375		_	a.c
Corporate debt securities.									
primarily U S holdings		2,303		_		2,303		_	a.c
Equities, primarily U S									
holdings		13,067		13,067		_		_	a
Registered investment									
funds									
US equities		27,048		27,048		_		_	a
International equities		12,046		12,046	_				_ a
	\$	100,217	\$	95,539	\$	4,678	\$		•
June 30, 2010	dh	20.000	ds.	20.000	ds		ds.		
Money markets	\$	29.888	\$	29.888	\$	_	\$	_	a
U S Treasury securities		10.325		10,325		_		_	a. c
U S government agencies		1,503		_		1,503		_	a, c
Municipal bonds		2,425		_		2,425		_	a, c
Corporate debt securities.									
primarily U S holdings		2,217		_		2,217		_	a, c
Equities, primarily U S									
holdings		10,444		10,444		_		_	a
Registered investment									
funds									
US equities		20,085		20,085		_		_	a
International equities		9,230		9,230					_ a
	\$	86,117	\$	79,972	\$	6,145	\$		=

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

The Corporation will be required to contribute \$13,900,000 to its Pension Plan in fiscal year 2012

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands)

2012	\$ 4,176
2013	4,681
2014	5,140
2015	5,686
2016	6,358
Years 2017 – 2021	46,643

401(k) Plan

The Corporation sponsors a 401(k) plan (the 401(k) Plan) for the Corporation's employees The 401(k) plan allows employees to contribute funds through a pre-tax option and an after-tax option Both options follow the same guidelines for employee and Corporation contributions All of the Corporation's employees may participate in the 401(k) Plan, however, only employees with hire dates subsequent to June 30, 2000, are eligible for contributions from the Corporation For employees with hire dates subsequent to June 30, 2000, the Corporation will match 50% of each employee's contribution up to 4% of his or her salary For employees with hire dates subsequent to June 30, 2000, the Corporation also contributes 2% of each employee's salary to the 401(k) Plan, regardless of the employee's contribution This 2% contribution is a discretionary contribution and employees must still be employed on December 31st of that year in order to be eligible for the discretionary contribution Employees immediately vest in their own contributions to the 401(k) Plan, vest in the employer pay period match after three years, and vest in the year-end discretionary employer contributions after three years of qualifying service The Corporation's contributions to the 401(k) Plan totaled \$4,094,000 in 2011 and \$3,796,000 in 2010

Notes to Consolidated Financial Statements (continued)

10. Commitments and Contingent Liabilities

Health Care Regulatory Environment

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 limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Other than normative operational or licensure citations or shortcomings of the nature commonly found in surveys of hospitals and other customary regulatory matters that are subject to the active attention of the Corporation's administration and legal department, management believes the Corporation is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. 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

Guardian Air Helicopter Crash

On June 29, 2008, a helicopter owned by the Corporation and operated by Air Methods, Inc collided in mid-air with another medical transport helicopter owned and operated by Classic Air Care, Inc , dba Classic Lifeguard Air Ambulance Air Methods Inc and Classic Lifeguard Air Ambulance are unrelated to the Corporation Management's assessment is that any resulting settlements will be covered by liability insurance policies carried by Classic Lifeguard Air Ambulance, Air Methods, and the Corporation

Insurance

The Corporation retains a layer of liability for employee health and dental benefits up to \$200,000 per employee, or dependent, and has purchased insurance for claims incurred per employee or dependent in excess of this amount The Corporation has recorded \$3,970,000 and \$3,470,000 for employee health and dental benefit obligations as of June 30, 2011 and 2010

Notes to Consolidated Financial Statements (continued)

10. Commitments and Contingent Liabilities (continued)

The Corporation purchases professional and general liability insurance to cover medical malpractice claims for physicians and professional and general liability insurance for the hospitals. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. Through June 30, 2002, the Corporation's professional and general liability insurance had a per claim self-insured retention of \$50,000 under a claims-made insurance policy. Effective July 1, 2002, the Corporation began retaining liability for professional and general liability claims up to \$1,000,000 per claim under a claims-made insurance policy.

The Corporation records a liability for estimates of future payments related to the self-insured retention amounts for professional and general claims that have not been paid as of year-end A portion of this estimated payable represents an estimate of claims incurred but not reported (IBNR) to the Corporation The IBNR claims estimate is developed using actuarial assumptions based upon payment patterns, historical development, and other relevant factors Those estimates are subject to the effects of trends in claim severity and frequency Although considerable variability is inherent in such estimates, management believes that the reserves of unpaid claims are adequate The estimates are periodically reviewed and adjusted as necessary as experience develops or new information becomes known, such adjustments are included in current operations Related to professional and general liability claims, at June 30, 2011 and 2010, the Corporation recorded an estimated self-insurance obligation of approximately \$6,676,000 and \$8,290,000, respectively, in accrued expenses and other liabilities in the accompanying consolidated statements of financial position The Corporation recorded a change in estimate to the self-insurance obligation of approximately \$1,500,000 for the year ended June 30, 2011

11. Related Party

The Corporation had a note agreement (the Note) with Little Colorado Healthcare Foundation (LCHF) to provide construction and permanent financing for a clinic in Winslow, Arizona The Corporation had recorded a receivable of approximately \$3,000,000 as of June 30, 2010, relating to the Note The Note carried interest at 9% and was payable in equal interest and principal payments over 30 years LCHF leased the building to Winslow Memorial Hospital, Inc dba Little Colorado Medical Center (LCMC) LCMC is managed by the Corporation through a management agreement whereby senior management of LCMC are employees of the Corporation During 2011, LCHF paid the full amount of principal and accrued interest to the Corporation



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Independent Auditors' Report on Other Financial Information

Board of Directors Northern Arizona Healthcare Corporation

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Corporation taken as a whole The accompanying consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole

September 13, 2011

Northern Arizona Healthcare Corporation and Affiliates Consolidating Statement of Financial Position

(In Thousands)

June 30, 2011

	Consolic	lated	Intercompany Eliminations	NAHC Administration	I	NAHC' Home Health and Hospice	Subtotal Obligated Group	VVMC	FMC
Assets									
Current assets									
Cash and eash equivalents	\$	75.930	-	\$ 5.351	\$	2,630	\$ 67.949	\$ 18.955	\$ 48.994
Accounts receivable, net		61.789	-	-		574	61.215	15,222	45,993
Inventories		8.871	_	_		26	8,845	2.287	6,558
Third-party payor settlements		2.390	_	_		_	2.390	4,501	(2.111)
Prepaid expenses and other		9.911	(1.017)	2,351		17	8,560	4.640	3,920
Total current assets		158.891	(1.017)	7.702		3.247	148.959	45,605	103,354
Assets whose use is limited	3	372,153	_	_		_	372,153	104,426	267,727
Property and equipment, net	2	234,147	_	26,580		507	207,060	72.642	134,418
Deferred charges and other assets		18,239	_	3,473		_	14,766	7,351	7,415
Total assets	\$	783,430	\$ (1.017)	\$ 37,755	\$	3,754	\$ 742.938	\$ 230,024	\$ 512,914
Liabilities and net assets									
Current liabilities									
Accounts payable	\$	12,540	\$ (1.017)	\$ 1.361	\$	147	\$ 12.049	\$ 5,441	\$ 6,608
Accrued expenses		35,631	_	2.291		248	33,092	7,090	26,002
Current portion of long-term debt		3,105	_	_		_	3,105	1.265	1.840
Total current liabilities		51,276	(1.017)	3,652		395	48.246	13.796	34,450
Long-term debt, less current portion		178,190	_	_		_	178,190	55,642	122,548
Accrued pension liability		59,430	_	3.922		_	55,508	18,542	36,966
Other liabilities		4.712	_	19		_	4,693	1,275	3,418
Total liabilities		293,608	(1.017)	7,593		395	286,637	89,255	197,382
Net assets		189,822	_	30.162		3.359	456,301	140.769	315,532
Total liabilities and net assets	\$	783,430 \$	\$ (1.017)	\$ 37.755	\$	3,754	\$ 742,938	\$ 230,024	\$ 512.914

Consolidating Statement of Activities

(In Thousands)

Year Ended June 30, 2011

	Consolidated	NAHC Administration	NAHC' Home Health and Hospice	Subtotal Obligated Group	VVMC	FMC'
Revenue			-	-		
Net patient service	\$ 541.512	\$ - :	\$ 4,945 \$	536,567 \$	161,083 \$	375,484
Provision for doubtful accounts	(48,599)	_	(73)	(48,526)	(14,932)	(33,594)
Net patient service revenue less provision for doubtful accounts	492,913	-	4,872	488,041	146,151	341,890
Other	11.835	1.677	1	10.157	2.129	8.028
Total revenue	504,748	1.677	4.873	498,198	148.280	349.918
Expenses						
Salaries and wages	195,705	9.645	3,070	182.990	59.240	123,750
Employee benefits	53,555	2.581	792	50,182	15,478	34,704
Professional fees	19,303	(114)	39	19.378	3,320	16,058
Supplies, services and other	160,800	29,836	1,215	129,749	35,661	94,088
Depreciation and amortization	33,114	5,645	19	27,450	9.811	17,639
Interest	5,233	_	_	5,233	1.410	3,823
Corporate expense allocation from NAHC	_	(45,767)	538	45,229	14,297	30,932
Total expenses	467,710	1.826	5,673	460,211	139.217	320,994
Income (loss) from operations	37.038	(149)	(800)	37.987	9,063	28.924
Investment income	29,560	142	1	29,417	6,983	22,434
Contributions	704	_	23	681	161	520
Other (expense) income	(1.055)	7	-	(1.062)	(1.908)	846
Excess (deficiency) of revenue over expenses	66,247	_	(776)	67.023	14.299	52.724
Decrease in unfunded pension liability	20,486	_	1.636	18.850	4.366	14,484
Increase in net assets	86,733	-	860	85,873	18,665	67,208
Net assets at beginning of year	403,089	24,805	3.250	375,034	122,600	252,434
Net asset transfers from (to) affiliates		5,357	(751)	(4.606)	(496)	(4.110)
Net assets at end of year	\$ 489,822	\$ 30,162	\$ 3,359 \$	456,301 \$	140,769 \$	315,532

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