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Form **990**

Department of the Treasury
Internal Revenue Service

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)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
THE QUEEN'S MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address)
1301 PUNCHBOWL STREET

Room/suite

City or town, state or country, and ZIP + 4
HONOLULU, HI 96813

D Employer identification number
99-0073524

E Telephone number
(808) 538-9011

G Gross receipts $ 702,295,412

F Name and address of principal officer
RICHARD C KEENE
1301 PUNCHBOWL STREET
HONOLULU, HI 96813

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW QUEENSMEDICALCENTER NET

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1859

M State of legal domicile HI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
THE MISSION OF QMC IS TO FULFILL THE INTENT OF QUEEN EMMA AND KING KAMEHAMEHA IV TO PROVIDE IN PERPETUITY QUALITY HEALTHCARE SERVICES TO IMPROVE THE WELL-BEING OF NATIVE HAWAIIANS AND ALL OF THE PEOPLE OF HI

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	13
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	4,215
6	Total number of volunteers (estimate if necessary)	**6**	400
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	6,829,471
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-80,415

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	25,662,588	35,906,761
9	Program service revenue (Part VIII, line 2g)	622,500,499	630,539,204
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	10,279,310	16,868,401
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	14,333,018	18,757,031
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	672,775,415	702,071,397
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	2,689,905	1,788,944
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	323,050,578	339,010,626
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶54,652		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	316,235,265	328,185,293
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	641,975,748	668,984,863
19	Revenue less expenses Subtract line 18 from line 12	30,799,667	33,086,534
Net Assets or Fund Balances		**Beginning of Current Year**	**End of Year**
20	Total assets (Part X, line 16)	881,785,450	987,672,169
21	Total liabilities (Part X, line 26)	601,515,918	600,202,380
22	Net assets or fund balances Subtract line 21 from line 20	280,269,532	387,469,789

Part II Signature Block

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.

Sign Here

****** 2012-05-11
Signature of officer Date

RICHARD C KEENE TREASURER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
Firm's name ▶ Deloitte Tax LLP				Firm's EIN ▶
Firm's address ▶ 1132 BISHOP STREET SUITE 1200 HONOLULU, HI 96813				Phone no ▶ (808) 543-0700

May the IRS discuss this return with the preparer shown above? (see instructions) ☐ Yes ☐ No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III . . . . . ☑

1 Briefly describe the organization's mission

THE MISSION OF QMC IS TO FULFILL THE INTENT OF QUEEN EMMA AND KING KAMEHAMEHA IV TO PROVIDE IN PERPETUITY QUALITY HEALTHCARE SERVICES TO IMPROVE THE WELL-BEING OF NATIVE HAWAIIANS AND ALL OF THE PEOPLE OF HAWAII

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ including grants of $) (Revenue $)

THE QUEEN'S MEDICAL CENTER IS THE LARGEST PRIVATE, NONPROFIT, ACUTE CARE MEDICAL FACILITY IN HAWAII ITS STAFF IS DEDICATED TO PROVIDING QUALITY HEALTH CARE TO THE PEOPLE OF HAWAII AND THE PACIFIC ESTABLISHED IN 1859 BY KING KAMEHAMEHA IV AND QUEEN EMMA, QMC IS THE FIRST HOSPITAL IN THE UNITED STATES FOUNDED BY ROYALTY TODAY, IT IS THE LARGEST PRIVATE HOSPITAL IN HAWAII AND THE PACIFIC BASIN THE QUEEN'S MEDICAL CENTER HAS 505 ACCUTE CARE BEDS AND 28 SUB-ACUTE BEDS WITH OVER 3,000 EMPLOYEES AND OVER 1,200 PHYSICIANS ON STAFF, IT IS ALSO ONE OF THE STATE OF HAWAII'S LARGEST EMPLOYERS AS THE LEADING MEDICAL REFERRAL CENTER IN HAWAII AND THE PACIFIC BASIN, QMC IS WIDELY KNOWN FOR ITS PROGRAMS IN CANCER, CARDIOVASCULAR DISEASE, NEUROSCIENCE, ORTHOPEDICS, SURGERY, TRAUMA, BEHAVIORAL MEDICINE, AND WOMEN'S HEALTH QMC OFFERS A COMPREHENSIVE RANGE OF SPECIALTIES, INCLUDING CARDIAC DIAGNOSTICS, GASTROENTEROLOGY, GENETICS, GERIATRICS, GYNECOLOGY, NEONATOLOGY, OBSTRETICS, AND PULMONOLOGY QMC serves as the main Trauma Center in the Pacific Basin, ("trauma" is defined as a life-threatening injury or shock) and is designated as a Level II Trauma Center by the State of Hawaii Department of Health QMC is home to a number of residency programs offered in conjunction with the John A Burns School of Medicine at the University of Hawaii QMC IS ACCREDITED BY THE JOINT COMMISSION (TJC) QUEEN'S IS ALSO APPROVED TO PARTICIPATE IN RESIDENCY TRAINING BY THE ACCREDITATION COUNCIL FOR GRADUATE MEDICAL EDUCATION (ACGME), AND IS A MEMBER OF VHA, A NATIONAL COOPERATIVE OF OVER 1,400 HOSPITALS QMC HAS ACHIEVED MAGNET STATUS - THE HIGHEST INSTITUTIONAL HONOR FOR HOSPITAL EXCELLENCE - FROM THE AMERICAN NURSES CREDENTIALING CENTER MAGNET RECOGNITION IS HELD BY LESS THAN SEVEN PERCENT OF HOSPITALS IN THE UNITED STATES QMC IS THE FIRST HOSPITAL IN HAWAII TO ACHIEVE MAGNET STATUS

4b (Code) (Expenses $ 639,015,398 including grants of $ 1,788,944) (Revenue $ 630,539,204)

TO SUPPORT THE QUEEN'S MISSION AND TO FULFILL ITS TAX EXEMPT PURPOSE AS A CHARITABLE HOSPITAL, THE QUEEN'S MEDICAL CENTER PROVIDED COMMUNITY BENEFITS TOTALING APPROXIMATELY $89,700,000 FOR THE YEAR ENDED JUNE 30, 2011 SEE LINE 4C (SCHEDULE O ATTACHMENT 2) FOR A DETAILED EXPLANATION

4c (Code) (Expenses $ including grants of $) (Revenue $)

The Queen's Medical Center ("QMC") also supports Native Hawaiian Health initiatives through its Native Hawaiian Health Program (NHH) The program areas of the NHH are healthcare training, research, access and outreach, and clinical outcomes QMC collaborates and partners to provide healthcare training and education opportunities to Native Hawaiian students and those committed to serving Native Hawaiian communities The Ulu Kukui Project, a 5-year grant funded by the Howard Hughes Medical Institute, is a pre-college science education program with Stevenson Middle School to promote excellence in science education and the pursuit of biomedical careers by Native Hawaiians and Pacific Islanders The NHH conducts ongoing assessment and development of QMC programs and services focused on Native Hawaiians In addition, NHH's program focuses on quality improvement and increased access for Native Hawaiians to The Queen's Medical Center as well as collaborating with the Native Hawaiian community in education, research, and community outreach For clinical outcomes, NHH works to provide a framework for the development, implementation and evaluation of clinical initiatives that aim to enhance the ola pono (well being) of Native Hawaiians In addition to NHH, many of QMC's program services described below provide benefits to Native Hawaiians, including components of charity care and uncompensated care provided to our patients The Queen's Medical Center ("QMC") provided approximately $118 million of community benefits, in support of its mission as a tax-exempt charitable hospital 1 Uncompensated care - QMC provides medical services to patients who do not have the ability to pay (patients are not billed charity care) and patients who refuse to pay (bad debts) For the year ended June 30, 2011, the estimated losses from providing charity care and for services that were bad debts was $2,382,000 and $12,670,000 respectively 2 Behavioral Health - QMC provides inpatient and outpatient behavioral health services that are necessary and in certain instances, not generally available in the State of Hawaii The estimated losses from operations resulting from behavioral health services were $10,122,000 for the year ended June 30, 2011 3 Queen Emma Clinics - QMC provides outpatient services to indigent patients and others though the Queen Emma Clinics The losses from operations from the Queen Emma Clinics were approximately $3,904,000 for the year ended June 30, 2011 4 On call physician compensation - QMC maintains the only Level II trauma center in the State of Hawaii In order to provide Level II trauma coverage, the Medical Center incurred approximately $6,604,000 in on call physician coverage during the year ended June 30, 2011 5 Resident and Intern Costs - QMC incurred costs in excess of reimbursement of approximately $5,427,000 during the year ended June 30, 2011 related to resident and intern programs As a teaching facility, the Medical Center participates in and shares the costs of the Hawaii Residency Program 6 Hawaii Medical Library - QMC maintains a medical library that benefits healthcare professionals in the State of Hawaii The operating losses of the Hawaii Medical Library for the year ended June 30, 2011 were $898,000 7 Transfer Hotline - QMC maintains a cardiac transfer hotline and a referral hotline to assist patients and other healthcare providers with the transfer and/or referral of patients to appropriate healthcare services The operating losses of providing these services for the year ended June 30, 2011 were $1,356,000 8 Transportation Services - QMC provides transportation to and from the Medical Center to patients who require assistance The cost of providing these services was $147,000 for the year ended June 30, 2011 9 Health and Wellness Education - QMC provides health and wellness education to the community in an effort to promote healthy lifestyles For the year ended June 30, 2011, losses of providing health and wellness education were $376,000 10 Research Losses - QMC employs staff and incurs unfunded costs for medical research For the year ended June 30, 2011, research costs were $1,875,000 11 Charitable Contributions - QMC makes contributions to outside charitable organizations For the year ended June 30, 2011, contributions to outside charitable organizations were $1,450,000 Of this amount, $367,000 was for funding to the Department of Native Hawaiian Health under the John A Burns School of Medicine of the University of Hawaii In addition, $250,000 was donated to the University of Hawaii Cancer Consortium 12 Emergency Preparedness - QMC is the only Level II trauma center in the State of Hawaii QMC allocated resources to plan and test its readiness for community emergencies, including trauma, terrorist attacks and conditions resulting from hazardous material spills For the year ended June 30, 2011, the costs of emergency preparedness were $721,000 13 Electrical Generator Project - In order to maintain necessary life support, diagnostic and operating systems, in the event of an emergency, QMC significantly upgraded its power plant by adding two new generators that are capable of providing electrical power for the medical center For the year ended June 30, 2011, costs incurred for the electrical generator project were $417,000 Total project costs incurred as of June 30, 2011 were approximately $34,086,000 14 Medicaid Shortfall in Payments - QMC provides inpatient and outpatient services to Medicaid patients in the State of Hawaii QMC incurred costs in excess of reimbursement of approximately $24,553,000 during the year ended June 30, 2011 15 Medicare Shortfall in Payments - QMC provides inpatient and outpatient services to Medicare patients in the State of Hawaii QMC incurred costs in excess of reimbursement based on Medicare Cost reports of approximately $14,200,000 during the year ended June 30, 2011 Consistent with cost report requirements, there are amounts that are excluded from the costs above 16 Lease Pricing Below Fair Market Value - QMC extended lease rates to the University of Hawaii that are below fair market value For the year ended June 30, 2011, revenues foregone from lease rates that were below fair market value were $43,000 17 Programs That Improve Access to Healthcare - QMC improves the community's access to healthcare by helping patients qualify for Medicaid and other types of insurance For the year ended June 30, 2011, these program costs totaled $849,000 18 Kinau Street Off-ramp Improvement Project - In order to improve access to its Emergency Department and hospital, QMC, in conjunction with the state Department of Transportation and City Department of Transportation Services, began construction to the Kinau Street off-ramp For the year ended June 30, 2011, costs incurred for the improvement project were $679,000 19 Dental Clinic - QMC provides dental services to indigent patients and others through its Dental Clinic The losses from operations from the Dental Clinic were approximately $96,000 for the year ended June 30, 2011 20 Donated Use of Conference Rooms - QMC allows physicians and teachers from the John A Burns School of Medicine of the University of Hawaii, various governmental entities including the Hawaii Department of Health and other nonprofit organizations the free use of its facilities at The Queen's Conference Center For the year ended June 30, 2011, the value of the use of the center was $261,000 21 Job Shadowing Program - QMC sponsors a job shadowing program for students in the state of Hawaii For the year ended June 30, 2011, costs incurred for the program were $10,000 22 QMC Nursing Program - QMC provides nursing internships and nurse training that help address the continued need for skilled nurses in the islands For the year ended June 30, 2011, these costs totaled $700,000 23 Community Health Improvement - QMC sponsored a senior health fair which included information booths, handouts and complimentary health checks For the year ended June 30, 2011, non-marketing costs incurred related to the health fair was $3,000 24 Community Outreach - QMC employees volunteer their time and experience providing free lectures to members of the community including professionals, students and members of the public 25 Volunteer Efforts - QMC employees periodically volunteer for other charitable organizations For the year ended June 30, 2011, these events included the American Heart Association's "Heart Walk", American Cancer Society's "Relay for Life" and "Hope Lodge Fundraiser", Susan G Komen Foundation's "Race for the Cure", Waikiki Improvement Association's "Beach Clean Up" and the American Diabetes Association's "Step Out" Fundraiser In addition, QMC employees dedicate many hours serving as volunteer board members for other Hawaii based charitable organizations

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 639,015,398

Part IV Checklist of Required Schedules

			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)?	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*	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		
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 I*	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 quasi-endowments? *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			
a	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	Yes	
c	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	Yes	
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	Yes	
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
14a	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? *If "Yes," 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	

Part 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**		No
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)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	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**		No
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**		No
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	
a	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* ☑ **Yes** ☐ **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? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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 . .	1a	458		
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	2a	4,215		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	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		No
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?			5c		
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?			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).**					
a	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		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	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?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	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					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**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	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	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		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	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		

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.

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	13		
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	
b	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				
a	The governing body?		8a	Yes	
b	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

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue 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	
c	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?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	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		No

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ CA

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

19 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 ▶

CLINTON YEE
1301 PUNCHBOWL STREET
HONOLULU, HI 96813
(808) 538-9011

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

Check if Schedule O contains a response to any question in this Part VII . . . . . .☐

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 per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) NALEEN N ANDRADE MD TRUSTEE	1 0	X						0	0	0
(2) EVELYN J BLACK TRUSTEE	1 0	X						0	0	0
(3) NORMAN T S CHONG TRUSTEE	1 0	X						0	0	0
(4) ERNEST H FUKEDA JR TRUSTEE	1 0	X						0	0	0
(5) NEIL J HANNAHS TRUSTEE	1 0	X						0	0	0
(6) NOREEN MOKUAU DSW CHAIR/TRUSTEE	2 0	X		X				0	0	0
(7) WILLIAM G OBANA MD VC/TRUSTEE/ON-CALL PHYSICIAN	13 0	X		X				120,052	0	0
(8) CAROLINE WARD ODA TRUSTEE	1 0	X						0	0	0
(9) GARRETT K SERIKAWA TRUSTEE	1 0	X						0	0	0
(10) ARTHUR A USHIJIMA PRESIDENT/TRUSTEE	65 0	X		X				0	884,694	422,887
(11) JULIA C WO TRUSTEE	1 0	X						0	0	0
(12) ERIC K YEAMAN TRUSTEE	1 0	X						0	0	0
(13) Peter Halford MD Trustee/COS/ON-CALL PHYSICIAN	22 0	X						121,705	0	0
(14) Robb Ohtani MD Trustee/ON-CALL PHYSICIAN	13 0	X						48,225	0	0
(15) PETER HANASHIRO TRUSTEE	1 0	X						0	0	0
(16) ROBERT NOBRIGA TRUSTEE	1 0	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) CHRISTINE GAYAGAS TRUSTEE	1.0	X						0	0	0
(18) BARRY WEINMAN TRUSTEE	1.0	X						0	0	0
(19) SHARLENE K TSUDA SECRETARY	55.0			X				0	226,191	50,003
(20) MARK H YAMAKAWA VICE PRESIDENT	55.0			X				0	563,595	101,958
(21) PAULA YOSHIOKA VICE PRESIDENT	55.0			X				381,217	0	55,391
(22) Richard C Keene Treasurer	55.0			X				0	462,823	60,974
(23) Clinton Yee Assistant Treasurer	55.0			X				167,614	0	25,786
(24) Michael H Dang MD Cardiovascular Surgeon	60.0					X		741,134	0	22,736
(25) Cherylee W J Chang MD Medical Director	60.0					X		496,339	0	33,060
(26) TODD SETO MD CARDIOLOGIST	60.0					X		499,349	0	17,354
(27) CHARLES BRADY III MD INTERNIST	60.0					X		489,348	0	31,525
(28) ROBERT A HONG MD CARDIOLOGIST	60.0					X		489,294	0	19,922
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								3,554,277	2,137,303	841,596

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 573

			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 J for such individual*	3		No
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 individual*	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 J for such person*	5		No

Section B. Independent Contractors

1 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
AFFILIATED COMPUTER SVS PO BOX 201322 DALLAS, TX 753201322	INFO SYS OUTSOURCING	11,090,333
UCERA 677 ALA MOANA BLVD STE 1003 HONOLULU, HI 96813	MEDICAL SERVICE	8,334,621
HAWAII RESIDENCY PROGRAMS INC 1356 LUSITANA ST 510 HONOLULU, HI 96813	MEDICAL SERVICE	8,810,827
UNITED LAUNDRY SERVICES INC 2291 ALAHAO PL HONOLULU, HI 96819	LAUNDRY SERVICES	2,463,856
SODEXO Inc Affiliates 1301 PUNCHBOWL STREET HONOLULU, HI 96813	MANAGEMENT SERVICE	3,811,293

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 95

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns 1a					
	b Membership dues 1b					
	c Fundraising events 1c	207,524				
	d Related organizations 1d	33,518,867				
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f	2,180,370				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f ▶		35,906,761			
Program Service Revenue		Business Code				
	2a NET PATIENT REVENUE		622,477,648	622,477,648		
	b INTERCO PURCHASED	561000	8,061,556	5,620,671	2,440,885	
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f ▶		630,539,204			
	3 Investment income (including dividends, interest and other similar amounts) ▶		6,649,844		-347,724	6,997,568
	4 Income from investment of tax-exempt bond proceeds ▶		0			
	5 Royalties ▶		0			
		(i) Real	(ii) Personal			
	6a Gross Rents	438,180				
	b Less rental expenses					
	c Rental income or (loss)	438,180				
	d Net rental income or (loss) ▶		438,180			438,180
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	10,391,035				
	b Less cost or other basis and sales expenses		172,478			
	c Gain or (loss)	10,391,035	-172,478			
	d Net gain or (loss) ▶		10,218,557			10,218,557
Other Revenue	8a Gross income from fundraising events (not including $ 207,524 of contributions reported on line 1c) See Part IV, line 18 a		31,526			
	b Less direct expenses b		51,537			
	c Net income or (loss) from fundraising events ▶		-20,011			-20,011
	9a Gross income from gaming activities See Part IV, line 19 a					
	b Less direct expenses b					
	c Net income or (loss) from gaming activities ▶		0			
	10a Gross sales of inventory, less returns and allowances a					
	b Less cost of goods sold b					
	c Net income or (loss) from sales of inventory ▶		0			
	Miscellaneous Revenue	Business Code				
	11a SERVICE TAXABLE	621500	1,689,004	1,486,157	202,847	
	b RESEARCH	621500	2,519,570	2,519,570		
	c OTHER SERVICES	621500	6,707,720	2,630,253	4,077,467	
	d All other revenue		7,422,568	6,966,572	455,996	
	e **Total.** Add lines 11a–11d ▶		18,338,862			
	12 **Total revenue.** See Instructions ▶		702,071,397	641,700,871	6,829,471	17,634,294

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 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	1,788,944	1,788,944		
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	841,420	292,589	548,831	0
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	260,799,165	253,848,153	6,951,012	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	26,945,445	26,119,852	825,593	
9 Other employee benefits	32,067,515	30,960,035	1,107,480	
10 Payroll taxes	18,357,081	17,802,232	554,849	
a Fees for services (non-employees) Management	0			
b Legal	802,918	549,128	253,790	
c Accounting	375,180	61,327	313,853	
d Lobbying	30,092	30,092		
e Professional fundraising services *See Part IV, line 17*	0			
f Investment management fees	0			
g Other	24,738,273	24,414,650	323,623	
12 Advertising and promotion	721,791	645,258	76,533	
13 Office expenses	311,806	189,436	122,370	
14 Information technology	501,439	486,697	14,742	
15 Royalties	0			
16 Occupancy	15,317,613	15,054,035	263,578	
17 Travel	1,269,242	447,165	822,077	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	7,883	7,883		
20 Interest	9,903,328	9,903,328		
21 Payments to affiliates	31,202,772	30,269,972	932,800	
22 Depreciation, depletion, and amortization	35,411,185	35,369,106	42,079	
23 Insurance	8,446,737	294,523	8,152,214	
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)				
a SUPPLIES	105,229,472	104,990,339	239,133	
b PURCHASED SERVICES	51,504,970	44,608,740	6,888,696	7,534
c BAD DEBT	30,096,291	30,096,291		
d LICENSE, PERMITS & FEES	1,964,524	1,716,337	248,187	
e EDUCATION	2,364,924	2,358,877	6,047	
f All other expenses	7,984,853	6,710,409	1,227,326	47,118
25 **Total functional expenses.** Add lines 1 through 24f	668,984,863	639,015,398	29,914,813	54,652
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				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		29,034	1	28,502
	2	Savings and temporary cash investments		36,260,220	2	21,679,191
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		80,241,046	4	71,224,222
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		8,284,333	8	8,237,762
	9	Prepaid expenses and deferred charges		9,084,695	9	9,059,438
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 630,043,795			
	b	Less accumulated depreciation	10b 393,134,023	242,866,431	10c	236,909,772
	11	Investments—publicly traded securities		411,434,750	11	440,843,899
	12	Investments—other securities See Part IV, line 11		9,072,698	12	103,142,893
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		84,512,243	15	96,546,490
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		881,785,450	16	987,672,169
Liabilities	17	Accounts payable and accrued expenses		209,050,265	17	195,134,390
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		286,220,000	20	274,330,000
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	1,980,444
	25	Other liabilities Complete Part X of Schedule D		106,245,653	25	128,757,546
	26	**Total liabilities.** Add lines 17 through 25		601,515,918	26	600,202,380
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		262,843,000	27	368,639,256
	28	Temporarily restricted net assets		11,475,532	28	12,879,719
	29	Permanently restricted net assets		5,951,000	29	5,950,814
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		280,269,532	33	387,469,789
	34	Total liabilities and net assets/fund balances		881,785,450	34	987,672,169

Part XI Reconcilliation of Net Assets

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	702,071,397
2	Total expenses (must equal Part IX, column (A), line 25)	2	668,984,863
3	Revenue less expenses Subtract line 2 from line 1	3	33,086,534
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	280,269,532
5	Other changes in net assets or fund balances (explain in Schedule O)	5	74,113,723
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	387,469,789

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . . ☐

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ 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?	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, 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 issued on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☑ Both consolidated and separated basis			
3a	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?	3a	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	Yes	

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SCHEDULE A (Form 990 or 990EZ)

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.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

_____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
Total									

Part II **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.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include 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 line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, 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)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

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 in) ▶	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 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						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b 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						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	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

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	**17**	
18	Investment income percentage from **2009** Schedule A, Part III, line 17	**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 organization ▶☐

b **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 ▶☐

20 **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).

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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.

OMB No 1545-0047

2010

Open to Public 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

Name of the organization	Employer identification number
THE QUEEN'S MEDICAL CENTER	99-0073524

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

Part 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 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

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 organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

Part II-A **Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

A Check ☑ if the filing organization belongs to an affiliated group
B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)	0	0
b Total lobbying expenditures to influence a legislative body (direct lobbying)	30,092	46,088
c Total lobbying expenditures (add lines 1a and 1b)	30,092	46,088
d Other exempt purpose expenditures	638,985,306	704,062,127
e Total exempt purpose expenditures (add lines 1c and 1d)	639,015,398	704,108,215
f Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000	1,000,000
g Grassroots nontaxable amount (enter 25% of line 1f)	250,000	250,000
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

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

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ 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	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					6,000,000
c Total lobbying expenditures	244,324	134,730	31,942	46,088	457,084
d Grassroots non-taxable amount	250,000	250,000	250,000	250,000	1,000,000
e Grassroots ceiling amount (150% of line 2d, column (e))					1,500,000
f Grassroots lobbying expenditures	0	0	0	0	0

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)).

		(a) Yes	(a) No	(b) 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			
a	Volunteers?			
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?			
c	Media advertisements?			
d	Mailings to members, legislators, or the public?			
e	Publications, or published or broadcast statements?			
f	Grants to other organizations for lobbying purposes?			
g	Direct contact with legislators, their staffs, government officials, or a legislative body?			
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?			
i	Other activities? If "Yes," describe in Part IV			
j	Total lines 1c through 1i			
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
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			
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).**		
a	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 does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

		Amount
c	Beginning balance	1c
d	Additions during the year	1d
e	Distributions during the year	1e
f	Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

		(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a	Beginning of year balance	7,195,561	6,633,813	6,236,306		
b	Contributions	40,500	852,775	710,304		
c	Investment earnings or losses	662,352	386,481	42,671		
d	Grants or scholarships	48,405	32,281	80,428		
e	Other expenditures for facilities and programs	612,152	645,226	275,040		
f	Administrative expenses					
g	End of year balance	7,237,856	7,195,562	6,633,813		

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)		No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		19,735,383		19,735,383
b Buildings		383,084,347	235,811,702	147,272,645
c Leasehold improvements		8,069,664	2,127,548	5,942,116
d Equipment		191,196,924	147,909,368	43,287,556
e Other		27,957,477	7,285,405	20,672,072
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				236,909,772

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	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) HI CREDENTIAL VERIFICATION	160,075	
(B) HAMAMATSU/QUEEN'S PET IMAGING	3,493,209	
(C) CARERESOURCE HAWAII	1,281,266	
(D) OTHER INVESTMENTS	98,208,343	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	103,142,893	

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-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, line 15.

(a) Description	(b) Book value
(1) OTHER ASSETS RESTRICTED FOR LT	1,995,476
(2) ASSETS LIMITED - BOND FUND	12,741,980
(3) INTANGIBLE - DEFERRED FINANCE	6,386,116
(4) DUE FROM AFFILIATES	75,383,433
(5) DEFERRED RENT-UH TOWER	39,485
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	96,546,490

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
DUE TO AFFILIATES	81,718,762
DUE TO GOVERNMENT	6,768,853
CAPITAL LEASE/OTHER OBLIGATION	4,232,228
TAXABLE COMMERCIAL PAPER	18,378,645
DUE TO GOVT REIMBURSEMENT	17,659,058
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	128,757,546

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	702,071,397
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	668,984,863
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	33,086,534
4	Net unrealized gains (losses) on investments	4	30,228,940
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	43,884,784
9	Total adjustments (net) Add lines 4 - 8	9	74,113,724
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	107,200,258

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	658,175,768
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	11,429,875		
e	Add lines **2a** through **2d**			2e	11,429,875
3	Subtract line **2e** from line **1**			3	646,745,893
4	Amounts included on Form 990, Part VIII, line 12, 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	55,325,504		
c	Add lines **4a** and **4b**			4c	55,325,504
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	702,071,397

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	665,617,437
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d	-1,649,419		
e	Add lines **2a** through **2d**			2e	-1,649,419
3	Subtract line **2e** from line **1**			3	667,266,856
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	1,718,007		
c	Add lines **4a** and **4b**			4c	1,718,007
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	668,984,863

Part XIV Supplemental Information

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
RECONCILIATION OF CHANGE IN NET ASSETS	SCHEDULE D, PART XI, LINE 8	EQUITY IN SUBSIDIARIES 412,814 PENSION FAS 87 ADJUSTMENT 16,981,878 GAIN ON INTEREST RATE SWAP 4,679,028 OTHER THAN TEMPORARY GAIN ON INVESTMENT 21,702,066 UNREALIZED GAIN ON HEDGING TRANSACTION 108,998 ---------- 43,884,784
REVENUE BOOK TO TAX RECONCILIATION	SCHEDULE D, PART XII, LINE 2D	REVENUE FROM HAMAMATSU/QUEEN'S PET 3,745,395 ELIMINATION (5,411,541) NET ASSETS RELEASED FROM RESTRICTION 12,683,207 EQUITY IN SUBSIDIARIES 412,814 ---------- 11,429,875
REVENUE BOOK TO TAX RECONCILIATION	SCHEDULE D, PART XII, LINE 4B	INVESTMENT INCOME INCLUDED IN NONOPERATING INCOME 16,509,713 REVENUE - TEMP RESTRICTED 5,469,402 LOSS FROM SALE OF EQUIPMENT INCLUDED IN NONOPER INCOME (172,478) TRANSFERS FROM AFFILIATES 33,518,867 ---------- 55,325,504
EXPENSES BOOK TO TAX RECONCILIATION	SCHEDULE D, PART XIII, LINE 2D	EXPENSES FROM HAMAMATSU/QUEEN'S PET 3,086,757 ELIMINATION (4,736,176) ---------- (1,649,419)
EXPENSES BOOK TO TAX RECONCILIATION	SCHEDULE D, PART XIII, LINE 4B	TRANSFERS TO AFFILIATES 330,635 DONATIONS INCLUDED IN NONOPERATING EXPENSE 1,458,309 NONOPERATING EXPENSE (70,940) ROUNDING 3 ---------- 1,718,007
ENDOWMENT FUNDS	Schedule D, Part V, line 4	The Queen's Medical Center uses the earnings on permanently endowed investments for the purposes intended by the donors of these funds
ASC 740	Schedule D, Part X, line 2	QMC REGULARLY ASSESSES ITS TAX POSITIONS AND DID NOT HAVE MATERIAL UNCERTAIN TAX BENEFITS FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

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SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities Check all that apply

- **a** ☐ Mail solicitations
- **b** ☐ Internet and e-mail solicitations
- **c** ☐ Phone solicitations
- **d** ☐ In-person solicitations
- **e** ☐ Solicitation of non-government grants
- **f** ☐ Solicitation of government grants
- **g** ☐ Special fundraising events

2a 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? ☐ **Yes** ☐ **No**

b 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 individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions? Yes	No	**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
Total . . . . . ▶						

3 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

Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than $5,000.

		(a) Event #1 BENEFIT DINNER (event type)	(b) Event #2 (event type)	(c) Other Events 0 (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1 Gross receipts	239,050			239,050
	2 Less Charitable contributions	207,524			207,524
	3 Gross income (line 1 minus line 2)	31,526			31,526
Direct Expenses	4 Cash prizes				
	5 Non-cash prizes				
	6 Rent/facility costs	1,047			1,047
	7 Food and beverages	36,703			36,703
	8 Entertainment	9,658			9,658
	9 Other direct expenses	4,129			4,129
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				51,537
	11 Net income summary Combine lines 3 and 10 in column (d) ▶				-20,011

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary Combine lines 1 and 7 in column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," Explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," Explain _____

11 Does the organization operate gaming activities with nonmembers? . . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	**13a**	
b An outside facility	**13b**	

14 Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ ----------

Address ▶ ----------

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ _____ and the amount of gaming revenue retained by the third party ▶ $ _____

c If "Yes," enter name and address

Name ▶ ----------

Address ▶ ----------

16 Gaming manager information

Name ▶ ----------

Gaming manager compensation ▶ $ ----------

Description of services provided ▶ ----------

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	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 ☐ Applied uniformly to most 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			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☑ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . ☐ 200% ☑ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . .	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community 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 benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			2,382,000	0	2,382,000	0 370 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			105,835,000	81,282,000	24,553,000	3 850 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			0	0	0	0 %
d **Total** Financial Assistance and Means-Tested Government Programs			108,217,000	81,282,000	26,935,000	4 220 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			2,731,000	0	2,731,000	0 430 %
f Health professions education (from Worksheet 5)			7,035,000	0	7,035,000	1 100 %
g Subsidized health services (from Worksheet 6)			20,726,000	0	20,726,000	3 250 %
h Research (from Worksheet 7)			1,875,000	0	1,875,000	0 290 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			1,754,000	0	1,754,000	0 270 %
j **Total** Other Benefits			34,121,000	0	34,121,000	5 340 %
k **Total.** Add lines 7d and 7j			142,338,000	81,282,000	61,056,000	9 560 %

Part II Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support			1,817,000	0	1,817,000	0 280 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**			1,817,000	0	1,817,000	0 280 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	12,670,000		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	172,300,000
6	Enter Medicare allowable costs of care relating to payments on line 5	6	186,500,000
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-14,200,000
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes		
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes		

Part IV Management Companies and Joint Ventures

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1	HamQueen's PET	operate/maint PET equipment	0 700 %	0 %	0 %
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	THE QUEEN'S MEDICAL CENTER 1301 Punchbowl Street HONOLULU,HI 96813	X	X		X		X	X		

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? _____

Name and address	Type of Facility (Describe)
1	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

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

3 **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

5 **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)

6 **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 3c		For patients who are citizens of a foreign country who do not reside in the United States, QMC uses 125% of the resident country's minimum wage PART I, LINE 6a Community benefits are reported annually as part of the Form 990 This is not separately available to the public A formal report issued by the parent company, The Queen's Health Systems, includes the community benefits of the Queen's Medical Center This report is published periodically and is separately available to the public

Identifier	ReturnReference	Explanation
PART I, LINE 7g		The Queen Emma Clinics provide comprehensive patient care to indigent patients and serve a large homeless population The net costs associated with these clinics was $3,851,000

Identifier	ReturnReference	Explanation
PART I, LINE 7		The costing methodology considers all patient segments Amounts represent the net costs for the various programs and operations, considering actual amounts incurred and calculated benefits based on cost-to-charge ratios and average rates (i e wage rates)

Identifier	ReturnReference	Explanation
PART I, LINE 7, COLUMN F		BAD DEBT EXPENSE OF $30,096,291 WAS EXCLUDED FOR THE CALCULATION OF THE NET COMMUNITY BENEFIT PERCENTAGE IN PART I, LINE 7, COLUMN F

Identifier	ReturnReference	Explanation
PART III, LINE 4		The audited financial statements do not describe bad debt expense The audited financial statements do describe the allowance for uncollectible accounts "QMC provides for an allowance against accounts receivable that could become uncollectible by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value QMC estimates the allowance based on the aging of the accounts receivable Historical collection experience by payor, and other relevant factors " The data above is based on the application of a cost-to-charge ratio against the internal accounting of uncollectible accounts

Identifier	ReturnReference	Explanation
PART III, LINE 8		The Medicare amounts above are calculated with data from the June 30, 2011 Medicare Cost Report, using the step down method Consistent with reporting requirements, there are amounts excluded from the costs listed in line 6 When using a fully allocated cost calculation, the medicare shortfall was approximately $42 5 million

Identifier	ReturnReference	Explanation
PART III, LINE 9B		Every attempt is made before discharge to screen patients who have no documentation of medical insurance for possible eligibility for discounted care The granting of charity care discounts are based on a determination of financial need using income and asset thresholds and is in compliance with all state and federal rules and regulations Patients are required to complete a discounted care application and must submit income and asset verification documents Once eligibility is confirmed, payment plans are arranged Billing statements are mailed monthly When eligible for discounted service, the statements reflect related discounts

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		QMC's mission is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of native Hawaiians and all the people of Hawaii

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		QMC provides guidance and assistance to patients by assisting in the application for eligible patients to local, state, and/or federal health assistance with this process

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		QMC is the leading medical referral center in the Pacific Basin Located in downtown Honolulu, it's the largest private hospital in Hawaii According to recent demographic census data, the state of Hawaii is very diverse and includes a population that is approximately 10% Native Hawaiian, other Pacific Islander, Native Alaskan and American Indian

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH		The amounts mentioned in Part II of Schedule H represent costs incurred to ensure continued operations that benefit the community These include emergency preparedness costs and amounts expended to expand and test back-up power that can service patients in times of emergency In addition, QMC provides many free informational seminars and educational opportunities to the public to promote the health of the community These programs are specifically directed to address health issues within the community including diabetes, cancer and women's health issues

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		In addition to the Queen's Medical Center, affiliate organizations of the Queen's Health Systems operate the only hospital on the Island of Moloka'I, provide diagnostic laboratory services, operate pharmacies, and provide the hospitals with general and professional liability insurance

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2 Enter total number of section 501(c)(3) and government organizations . . . ▶ 108

3 Enter total number of other organizations . . . ▶ 2

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) Amount of cash grant	(d) Amount 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
ORGANIZATION'S PROCEDURES FOR MONITORING GRANT FUNDS	SCHEDULE I GRANTS AND OTHER ASSISTANCE, PART I, LINE 2	The Queens Medical Center makes donations to various tax-exempt organizations with the purpose of providing opportunities for better health and wellness to all the people of Hawaii There are generally no restrictions placed on the use of those donations and the receiving organizations may use the donations at their discretion in order to further their exempt purpose Where restrictions are placed on the use of those donations, QMC requests financial reports in order to monitor such use

Additional Data Return to Form

Software ID:
Software Version:
EIN: 99-0073524
Name: THE QUEEN'S MEDICAL CENTER

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Aloha Medical Mission810 North Vineyard Blvd HONOLULU,HI 96817	99-0234811	501(C)(3)	25,000				Sponsor Free Health Care Services
Aloha United Way200 N Vineyard Blvd Suite 700 HONOLULU,HI 96817	99-0073494	501(C)(3)	5,100				Sponsor Community Executive Program

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount 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 Diabetes Association875 Waimanu Street 601 HONOLULU,HI 96813	13-1623888	501(C)(3)	7,500				Sponsor Diabetes Annual Walk
American Heart Association 677 Ala Moana Blvd 600 HONOLULU,HI 96813	13-5613797	501(C)(3)	20,000				Sponsor Heart Ball & Medical Symposium

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Girl Scouts of Hawaii420 Wyllie Street HONOLULU,HI 96817	99-0073488	501(c)(3)	7,500				Sponsor Woman of Distinction
Hawaii Academy of Science 1776 University Ave Honolulu,HI 96822	99-6006863	501(c)(3)	10,000				Sponsor Science & Engineering Fair

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Hina Mauka45-845 Pookela Street Kaneohe, HI 96744	99-0173356	501(c)(3)	8,500				Sponsor Multiple Fundraising Events
March of Dimes1451 S King St Honolulu, HI 96814	13-1846366	501(c)(3)	7,500				Sponsor Governor's Ball

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Pacific Health Ministry1245 Young Street 204 Honolulu,HI 96814	99-0281185	501(C)(3)	6,000				Sponsor Multiple Fundraising Events
Public Schools of Hawaii FoundationPO Box 4148 Honolulu,HI 96812	88-0243449	501(C)(3)	15,000				Kulia I Ka Nu'u Awards Banquet

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount 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 Queen's Health System 1301 Punchbowl Street HONOLULU,HI 96813	99-0238120	501(c)(3)	330,635				OPERATING GRANT TO AFFILIATE
University of Hawaii Foundation2444 Dole St Bachman Hall Rm 105 HONOLULU,HI 96822	99-0085260	501(C)(3)	62,500				Native Hawaiian Health Training Scholarship Fund & Contributions

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
UH Office of Research Services2530 Dole Street Sakamaki D-200 HONOLULU,HI 96822	99-0085260	501(C)(3)	90,000				Ike Ao Pono / Native Hawaiian Health Initiative
Various 50001301 Punchbowl Street HONOLULU,HI 96813			87,769				Donations

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Aloha Council Boy Scouts of America42 Puiwa Road Honolulu,HI 96817	22-1576300	501(C)(3)	9,000				Hawaii Distinguished Citizen Event
Cancer Research Center of Hawaii1236 Lauhala Street Honolulu,HI 96813	99-0207313	501(c)(3)	7,600				Sponsor Fundraiser & Silent Auction

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
East-West Center1601 East-West Road Honolulu,HI 96848	99-0161603	501(C)(3)	50,000				Sponsor APEC 2011 Hawaii
Hawaii MaoliPO Box 1135 Honolulu,HI 96807	94-3274865	501(C)(3)	6,500				Sponsor Annual Convention

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Historic Hawaii Foundation PO Box 1658 Honolulu,HI 96806	23-7441972	501(C)(3)	7,000				Annual Kama'aina of the Year Event
Japan-America Society of Hawaii220 S King StSuite 1501 Honolulu,HI 96813	99-0359990	501(C)(3)	15,000				Japan Disaster Relief

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Ka Meheu 'Ohu O Ka Honu PO Box 1072 Wailuku, HI 96793	99-0328359	501(C)(3)	9,000				Purchase of Health Screenings Supplies
Na Pu'u WaiPO Box 130 Kaunakakai, HI 96748	99-0255760	501(C)(3)		270,000	FMV	Building	Contribution of Building Property

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Papa Ola Lokahi894 Queen Street Honolulu,HI 96813	99-0273765	501(C)(3)	20,000				Sponsor Multiple Fundraising Events
Hawaii Cancer Consortium c/o 55 Merchant Street Suite 2700 Honolulu,HI 96813	45-2280259	501(c)(3)	250,000				Sponsor Cancer Consortium

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Department of Native Hawaiian HealthDonation on behalf of Queens Healt Honolulu,HI 96813	99-6000354	501(c)(3)	366,840				Commitment for DNHH and Scholarship Fund
Hospice of Hilo1011 Waianuenue Avenue Hilo,HI 96720	99-0218512	501(C)(3)	25,000				Capital Campaign

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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**	Yes	
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**		No
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			
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			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	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			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	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			
a	The organization?	**6a**	Yes	
b	Any related organization?	**6b**	Yes	
	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**	Yes	
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 in Part III	**8**		No
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)(i)-(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-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) SHARLENE K TSUDA	(i)	0	0	0	0	0	0	
	(ii)	176,497	32,317	17,377	27,219	22,784	276,194	
(2) ARTHUR A USHIJIMA	(i)	0	0	0	0	0	0	
	(ii)	616,935	165,532	102,227	358,148	64,739	1,307,581	
(3) MARK H YAMAKAWA	(i)	0	0	0	0	0	0	
	(ii)	427,515	101,891	34,189	58,131	43,827	665,553	
(4) PAULA YOSHIOKA	(i)	315,689	45,271	20,257	23,628	31,763	436,608	
	(ii)	0	0	0	0	0	0	
(5) Richard C Keene	(i)	0	0	0	0	0	0	
	(ii)	384,491	58,461	19,871	23,662	37,312	523,797	
(6) Clinton Yee	(i)	154,327	12,800	487	12,465	13,321	193,400	
	(ii)	0	0	0	0	0	0	
(7) Michael H Dang MD	(i)	621,166	81,500	38,468	12,126	10,610	763,870	
	(ii)	0	0	0	0	0	0	
(8) Cherylee W J Chang MD	(i)	317,363	65,172	113,804	23,809	9,251	529,399	
	(ii)	0	0	0	0	0	0	
(9) TODD SETO MD	(i)	298,268	59,160	141,921	11,025	6,329	516,703	
	(ii)	0	0	0	0	0	0	
(10) CHARLES BRADY III MD	(i)	417,732	64,758	6,858	21,493	10,032	520,873	
	(ii)	0	0	0	0	0	0	
(11) ROBERT A HONG MD	(i)	389,771	95,635	3,888	18,405	1,517	509,216	
	(ii)	0	0	0	0	0	0	
(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
COMPENSATION COMMITTEE	SCHEDULE J, PART I, LINE 3	Compensation committee refers to a committee of the organization's governing body responsible for determining the top management official's compensation package, whether or not the committee has been delegated the authority to make an employment agreement with the top management official on behalf of the organization The compensation committee may also have other duties
Arthur A Ushijima	FORM 990 PART VII	Arthur A Ushijima AVERAGE HOURS PER WEEK 30 hours per week - QMC President 2 hours per week - QMC & affiliates Trustee 65 hrs per week - QHS & affiliates MR USHIJIMA SERVES AS A TRUSTEE FOR THE QUEEN'S MEDICAL CENTER, THE QUEEN'S HEALTH SYSTEMS, AND SEVERAL OTHER QUEEN'S RELATED AFFILIATES (2 HOURS PER WEEK) He is a volunteer Trustee and is not compensated for those services Mr Ushijima also serves as President & Chief Executive Officer of The Queen's Health Systems (parent company) and as President of QMC The compensation listed on FORM 990 PART VII is his total compensation for all services
Mark Yamakawa	FORM 990 PART VII	Mark Yamakawa AVERAGE HOURS PER WEEK 39 hours per week - QMC 55 hrs per week - QHS & affiliates Mr Yamakawa serves as EVP & COO of the Queen's Health System (parent company), EVP& COO of QMC and Chairman of QDC He is not separately compensated for these various services The compensation listed on FORM 990 PART VII is his total compensation for all services
Richard C Keene	FORM 990 PART VII	Richard C Keene AVERAGE HOURS PER WEEK 20 hrs per week - QMC 55 hrs per week - QHS & affiliates Mr Keene serves as QMC Treasurer, EVP/CFO and Treasurer for The Queen's Health Systems (parent company), Treasurer of QEL and Treasurer of MGH He is not separately compensated for these services The compensation listed on FORM 990 PART VII is his total compensation for all services
Sharlene Tsuda	FORM 990 PART VII	Sharlene Tsuda AVERAGE HOURS PER WEEK 2 hrs per week - QMC 55 hrs per week - QHS & affiliates Ms Tsuda serves as Secretary for QMC and VP/Secretary for the Queen's Health Systems (Parent Company) She is not separately compensated for these various services The compensation listed on FORM 990 PART VII is her total compensation for all services
Paula Yoshioka	FORM 990 PART VII	Paula Yoshioka Average Hours Per Week 54 Hours per week - QMC 55 Hours per week - QHS & Affiliates Ms Yoshioka serves as EVP/CAO of QMC and A Director of QIE She is not separately compensated for these services The compensation listed on Form 990 Part VII is her total compensation all services
CLINTON YEE	FORM 990 PART VII	Clinton Yee average hours per week 40 hours per week - QMC 55 hours per week - QHS & Affiliates Mr Yee serves as Assistant Treasurer and Corporate Controller of QMC He is not separately compensated for these services The compensation listed on Form 990 Part VII is his total compensation for all services
WILLIAM G OBANA MD	FORM 990 PART VII	DR OBANA SERVES AS A TRUSTEE FOR THE QUEEN'S MEDICAL CENTER (2 HOURS PER WEEK) HE IS A VOLUNTEER TRUSTEE AND IS NOT COMPENSATED FOR THESE SERVICES DR OBANA'S COMPENSATION IS FOR HIS ON-CALL SPECIALTY SERVICES AT THE QUEEN'S MEDICAL CENTER (ESTIMATED AVERAGE OF 11 HOURS PER WEEK)
Peter Halford MD	FORM 990 PART VII	DR HALFORD SERVES AS A TRUSTEE FOR THE QUEEN'S MEDICAL CENTER (1 HOUR PER WEEK) HE IS A VOLUNTEER TRUSTEE AND IS NOT COMPENSATED FOR THESE SERVICES DR HALFORD'S COMPENSATION IS FOR HIS ON-CALL SPECIALTY SERVICES AT THE QUEEN'S MEDICAL CENTER (ESTIMATED AVERAGE OF 21 HOURS PER WEEK)
Robb K Ohtani MD	FORM 990 PART VII	DR OHTANI SERVES AS A TRUSTEE FOR THE QUEEN'S MEDICAL CENTER (1 HOUR PER WEEK) HE IS A VOLUNTEER TRUSTEE AND IS NOT COMPENSATED FOR THESE SERVICES DR OHTANI'S COMPENSATION IS FOR HIS ON-CALL SPECIALTY SERVICES AT THE QUEEN'S MEDICAL CENTER (ESTIMATED AVERAGE OF 12 HOURS PER WEEK)

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

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

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Department of Budget & Finance State of Hawaii	99-0266961	419800FB8	12-11-2003	114,300,000	ADVANCE REFUNDING		X		X		X
B	Department of Budget & Finance State of Hawaii	99-0266961	419800FR3	03-16-2006	144,875,000	Multipurpose Issue		X		X		X
C	Department of Budget & Finance State of Hawaii	99-0266961	419800HT7	05-06-2009	78,670,000	CURRENT REFUNDING		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	6,225,000	18,900,000	3,390,000	
2	Amount of bonds legally defeased	0	0	0	
3	Total proceeds of issue	114,300,000	149,237,584	78,670,000	
4	Gross proceeds in reserve funds	0	0	0	
5	Capitalized interest from proceeds	0	1,300,000	0	
6	Proceeds in refunding escrow	0	0	0	
7	Issuance costs from proceeds	1,391,568	1,270,326	1,332,516	
8	Credit enhancement from proceeds	3,276,390	2,193,032	236,880	
9	Working capital expenditures from proceeds	292,217	3,870,420	0	
10	Capital expenditures from proceeds	0	76,594,210	0	
11	Other spent proceeds	0	0	0	
12	Other unspent proceeds	0	1,995,476	0	
13	Year of substantial completion	2003	2009		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X	X		X			
15	Were the bonds issued as part of an advance refunding issue?	X			X		X		
16	Has the final allocation of proceeds been made?	X			X	X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X				X			

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X						

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	Are there any research agreements that may result in private business use of bond-financed property?		X						
c	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?	X							
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 %							
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 %							
6	Total of lines 4 and 5	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

		A		B		C		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		X		
2	Is the bond issue a variable rate issue?	X		X		X			
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X		X		X			
b	Name of provider	BANK OF AMERICA ML		BANK OF AMERICA ML		BANK OF AMERICA ML			
c	Term of hedge	25 6		18 2		22 2			
d	Was the hedge superintegrated?		X		X		X		
e	Was a hedge terminated?		X		X		X		
4a	Were gross proceeds invested in a GIC?								
b	Name of provider								
c	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?		X		X		X		
6	Did the bond issue qualify for an exception to rebate?		X		X		X		

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
SEE SCHEDULE O		

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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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $

Part II Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) Loan to or from the organization? From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) In default? No	(f) Approved by board or committee? Yes	(f) Approved by board or committee? No	(g) Written agreement? Yes	(g) Written agreement? No
Total . . . . . ▶ $										

Part III Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Eric K Yeaman	Trustee of QMC	315,571	SEE PART V		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
ERIC K YEAMAN	SCHEDULE L PART IV LINE 1	ERIC K YEAMAN IS AN OFFICER OF A TELECOMMUNICATIONS COMPANY THAT PROVIDES SERVICES TO THE ORGANIZATION DURING THE YEAR, THE ORGANIZATION PAID SERVICE FEES TO THIS TELECOMMUNICATIONS COMPANY TOTALING $315,571

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SCHEDULE O
(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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Identifier	Return Reference	Explanation
FORM 990, PT VI, SECTION A, LINE 7A		QMC has a sole member, which is The Queen's Health Systems, a Hawaii nonprofit corporation ("QHS") QHS elects all of the board members of the QMC Board of Trustees

Identifier	Return Reference	Explanation
FORM 990, PT VI, SECTION A, LINE 7B		Certain major decisions approved by the QMC Board of Trustees must also be approved by QHS Such decisions include 1 A change to the purpose of the company, 2 A financing transaction in excess of $500,000, 3 A lease transaction that has a term that is longer than 3 years or has a rent obligation in excess of $1,000,000 over the lease term, 4 A transaction involving the sale, lease, disposition or hypothecation of real property, 5 Annual operational and capital budgets, 6 Strategic plans, 7 Merger or major acquisitions, 8 Creation of a new entity or joint venture, 9 Sale or disposition of all or substantially all of its assets, 10 Dissolution, 11 Amendment of Bylaws, 12 Adoption, amendment or rescission of a Board Policy, 13 Capital expenditures in excess of $2,000,000 for QMC

Identifier	Return Reference	Explanation
FORM 990, PT VI, SECTION A, LINE 11B		The Form 990 for The Queen's Health System (QHS) and the separate forms for each of the not-for-profit subsidiaries of QHS were reviewed by the governing body of QHS prior to the filing of the returns The QHS Finance Committee, which is comprised of members of the QHS Board of Trustees, was delegated the responsibility to review the returns prior to their filing The returns were presented to the Committee by management and by the independent public accounting firm that prepared the returns In addition, compensation related disclosures in the returns were reviewed by the Chairperson of the QHS Compensation Committee prior to filing the returns Also, a copy of the QHS returns was made available to each of the members of the Board of Trustees prior to the returns being filed with the Internal Revenue Service

Identifier	Return Reference	Explanation
FORM 990, PT VI, SECTION B, LINE 12C		All QHS companies are subject to a written Conflict of Interest Policy All trustees, officers, designated employees and contractors are required to complete an annual disclosure form The designated employees are those selected by Executives in the organization who identify those employees (typically manager level and above) who may be in a position to select or influence the selection of a vendor Disclosures are summarized and maintained by each company's corporate secretary The contracts management department and legal department have the conflict summaries and check for conflicts of interest at the beginning of the contract process Any conflict of interest involving a trustee is presented to the Board of Trustees Any transaction involving a disqualified person is subject to the process of establishing a rebuttable presumption of reasonableness Any trustee with a conflict of interest is excused for the portion of the meeting where the subject matter is discussed and voted on

Identifier	Return Reference	Explanation
FORM 990, PT VI, SECTION B, LINE 15A & 15B		A committee of the Board of Trustees called the Compensation Committee meets regularly to review compensation of all executives of all companies within QHS Executive compensation is reviewed annually All decisions regarding executive compensation are made in conformity with the procedures required to establish a rebuttable presumption of reasonableness Any adjustment to compensation is subject to the process of performance reviews and comparison to comparable compensation data prepared by a nationally recognized independent compensation consultant Outside counsel assists with the review process and documents the decisions of the committee

Identifier	Return Reference	Explanation
FORM 990, PT VI, SECTION C, LINE 19		QMC's governing documents are available to the general public upon request QMC does not make its conflict of interest policy or financial statements available to the public

Identifier	Return Reference	Explanation
Schedule K, Supplemental Information on Tax-Exempt Bonds		On December 11, 2003, The Queen's Medical Center issued Special Purpose Revenue Bonds (The Queen's Health System) 2003 Series A, 2003 Series B, and 2003 Series C (the 2003 Issue) The purpose of the 2003 Issue was to advance refund a portion of the 1996 bond series issued on July 18, 1996 On March 16, 2006, The Queen's Medical Center issued Special Purpose Revenue Bonds (The Queen's Health System) 2006 Series A and 2006 Series B (the 2006 issue) The purpose of the 2006 issue was to refund a portion of the 1998 bond series issued on July 1, 1998 on a current basis and to finance approved capital projects On May 6, 2009, The Queen's Medical Center issued Special Purpose Revenue Bonds (The Queen's Health System) 2009 Series A and 2009 Series B (the 2009 Issue) The purpose of the 2009 issue was to refund the 2003C and 2006C bond series issued December 11, 2003 and March 16, 2006, respectively, on a current basis The CUSIP number for 2009 Series A is 419800HT7 and the CUSIP number for 2009 Series B is 419800HV2 The Queen's Medical center believes, and has prepared Schedule K in a manner consistent with such belief, that the Part III exclusion provided in the instructions for bonds that refund a pre-2003 bond issue applies to the 2003 Series A bonds, though no allocations under Regulations section 1 141-13(d) have yet been elected, this submission does not constitute an allocation election under Regulations section 1 141-13(d) The Queen's Medical center believes, and has prepared Schedule K in a manner consistent with such belief, that the Part III exclusion provided in the instructions for bonds that refund a pre-2003 bond issue applies to the 2003 Series B bonds, though no allocations under Regulations section 1 141-13(d) have yet been elected, this submission does not constitute an allocation election under Regulations section 1 141-13(d) The Queen's Medical center believes, and has prepared Schedule K in a manner consistent with such belief, that the Part III exclusion provided in the instructions for bonds that refund a pre-2003 bond issue applies to the 2006 Series A bonds, though no allocations under Regulations section 1 141-13(d) have yet been elected, this submission does not constitute an allocation election under Regulations section 1 141-13(d) The Queen's Medical center believes, and has prepared Schedule K in a manner consistent with such belief, that the Part III exclusion provided in the instructions for bonds that refund a pre-2003 bond issue applies to the 2009 Series A bonds, though no allocations under Regulations section 1 141-13(d) have yet been elected, this submission does not constitute an allocation election under Regulations section 1 141-13(d) The Queen's Medical center believes, and has prepared Schedule K in a manner consistent with such belief, that the Part III exclusion provided in the instructions for bonds that refund a pre-2003 bond issue applies to the 2009 Series B bonds, though no allocations under Regulations section 1 141-13(d) have yet been elected, this submission does not constitute an allocation election under Regulations section 1 141-13(d) For purposes of Part II, QMC assumes that amounts spent to retire prior debt are neither working capital nor capital expenditures, and are not reported herein There is more than one hedging contract related to the 2009 issue The term of the 2003 hedge is 25 6 Years while the term of the 2006C hedge is 22 2 Years

Identifier	Return Reference	Explanation
FORM 990, PT XI, LINE 5	OTHER CHANGES IN NET ASSETS OR FUND BALANCES	UNREALIZED GAIN ON INVESTMENTS 30,228,940 EQUITY IN SUBSIDIARIES 412,814 PENSION FAS 87 ADJUSTMENT 16,981,878 GAIN ON INTEREST RATE SWAP 4,679,028 OTHER THAN TEMPORARY GAIN ON INVESTMENT 21,702,066 UNREALIZED GAIN ON HEDGING TRANSACTION 108,998 ROUNDING (1) ---------- 74,113,723 ----------

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
THE QUEEN'S MEDICAL CENTER

Employer identification number
99-0073524

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and 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

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN 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	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) THE QUEEN'S HEALTH SYSTEM (QHS) 1301 PUNCHBOWL STREET HONOLULU, HI 96813 99-0238120	ADMIN SERVICE	HI	501(c)(3)	11 TYPE I	NA		
(2) QUEEN EMMA LAND COMPANY 1301 PUNCHBOWL STREET HONOLULU, HI 96813 99-0183769	SUPPORT SVCS	HI	501(c)(3)	11 TYPE II	QHS		
(3) MOLOKAI GENERAL HOSPITAL PO BOX 408 KAUNAKAKAI, HI 96748 99-0251372	HEALTH CARE	HI	501(c)(3)	3	QHS		

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 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)	(d) Direct controlling 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) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) HAMQUEEN'S PET 1301 PUNCHBOWL HON, HI96813 94-3266916	PET IMAGING	HI	NA	RELATED	565,550	3,508,841		No	0		No	70 000 %

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) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) THE QUEEN'S DEVELOPMENT CORP & SUBS 1301 PUNCHBOWL STREET HONOLULU, HI96813 99-0240109	DEVELOPMENT	HI	QHS	C CORP			
(2) QUEEN'S INSURANCE EXCHANGE INC 1301 PUNCHBOWL STREET HONOLULU, HI96813 91-1913839	INSURANCE	HI	QHS	INSURANCE CORP			
(3) DIAGNOSTIC LABORATORY SERVICES INC 99-859 IWAIWA STREET AIEA, HI96701 99-0240499	MEDICAL LAB SERV	HI	QDC	C CORP			

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts 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	Yes	
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
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)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i	Yes	
j Lease of facilities, equipment, or other assets from other organization(s)	1j	Yes	
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)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n		No
o Reimbursement paid to other organization for expenses	1o	Yes	
p Reimbursement paid by other organization for expenses	1p	Yes	
q Other transfer of cash or property to other organization(s)	1q		No
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 relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

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 all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 99-0073524
Name: THE QUEEN'S MEDICAL CENTER

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	THE QUEEN'S HEALTH SYSTEMS	B	330,635	
(2)	QUEEN EMMA LAND COMPANY	C	33,518,867	
(3)	THE QUEEN'S DEVELOPMENT CORP & SUBS	I	1,986,829	
(4)	DIAGNOSTIC LABORATORY SERVICES INC	I	776,980	
(5)	QUEEN EMMA LAND COMPANY	J	429,046	
(6)	THE QUEEN'S DEVELOPMENT CORP & SUBS	J	2,234,698	
(7)	THE QUEEN'S HEALTH SYSTEMS	O	13,867,764	
(8)	DIAGNOSTIC LABORATORY SERVICES INC	O	12,048,814	
(9)	MOLOKAI GENERAL HOSPITAL	P	648,371	
(10)	QUEEN EMMA LAND COMPANY	P	1,677	
(11)	THE QUEEN'S HEALTH SYSTEMS	P	484,599	
(12)	THE QUEEN'S DEVELOPMENT CORP & SUBS	P	1,662,675	
(13)	QUEEN EMMA LAND COMPANY	R	1,883,010	

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Form **4797**

Department of the Treasury
Internal Revenue Service (99)

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return. ▶ See separate instructions.

OMB No 1545-0184

2010

Attachment Sequence No **27**

Name(s) shown on return
THE QUEEN'S MEDICAL CENTER

Identifying number
99-0073524

1	Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)	**1**	

Part I **Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year** (see instructions)

2 (a) Description of property	(b) Date acquired (mo , day, yr)	(c) Date sold (mo , day, yr)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
LAND				21,450	21,450	
BUILDINGS				1,994,135	2,021,373	-27,238
EQUIPMENT				6,732,113	6,877,353	-145,240

3	Gain, if any, from Form 4684, line 42	**3**	
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37	**4**	
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824	**5**	
6	Gain, if any, from line 32, from other than casualty or theft	**6**	
7	Combine lines 2 through 6 Enter the gain or (loss) here and on the appropriate line as follows	**7**	-172,478
	Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9 Skip lines 8, 9, 11, and 12 below		
	Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9 If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below		
8	Nonrecaptured net section 1231 losses from prior years (see instructions)	**8**	
9	Subtract line 8 from line 7 If zero or less, enter -0- If line 9 is zero, enter the gain from line 7 on line 12 below If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)	**9**	

Part II **Ordinary Gains and Losses** (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less)

11	Loss, if any, from line 7	**11**	(172,478)
12	Gain, if any, from line 7 or amount from line 8, if applicable	**12**	
13	Gain, if any, from line 31	**13**	
14	Net gain or (loss) from Form 4684, lines 34 and 41a	**14**	
15	Ordinary gain from installment sales from Form 6252, line 25 or 36	**15**	
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824	**16**	
17	Combine lines 10 through 16	**17**	-172,478
18	For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below For individual returns, complete lines a and b below		
a	If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23 Identify as from "Form 4797, line 18a " See instructions.	**18a**	
b	Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a Enter here and on Form 1040, line 14	**18b**	

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255 (see instructions)

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property	(b) Date acquired(mo , day, yr)	(c) Date sold (mo , day, yr)
A		
B		
C		
D		

These columns relate to the properties on lines 19A through 19D ▶		Property A	Property B	Property C	Property D
20 Gross sales price (**Note:** *See line 1 before completing*) . .	20				
21 Cost or other basis plus expense of sale . . .	21				
22 Depreciation (or depletion) allowed or allowable	22				
23 Adjusted basis Subtract line 22 from line 21 . .	23				
24 Total gain Subtract line 23 from line 20 . . .	24				
25 If section 1245 property:					
a Depreciation allowed or allowable from line 22	25a				
b Enter the **smaller** of line 24 or 25a	25b				
26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291					
a Additional depreciation after 1975 (see instructions) . . .	26a				
b Applicable percentage multiplied by the **smaller** of line 24 or line 26a (see instructions)	26b				
c Subtract line 26a from line 24 If residential rental property **or** line 24 is not more than line 26a, skip lines 26d and 26e	26c				
d Additional depreciation after 1969 and before 1976 . . .	26d				
e Enter the **smaller** of line 26c or 26d	26e				
f Sections 291 amount (corporations only) . . .	26f				
g Add lines 26b, 26e, and 26f	26g				
27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership)					
a Soil, water, and land clearing expenses	27a				
b Line 27a multiplied by applicable percentage (see instructions) .	27b				
c Enter the **smaller** of line 24 or 27b	27c				
28 If section 1254 property:					
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions)	28a				
b Enter the **smaller** of line 24 or 28a	28b				
29 If section 1255 property:					
a Applicable percentage of payments excluded from income under section 126 (see instructions) . .	29a				
b Enter the **smaller** of line 24 or 29a (see instructions) . .	29b				

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties Add property columns A through D, line 24	30	
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b Enter here and on line 13 . .	31	
32	Subtract line 31 from line 30 Enter the portion from casualty or theft on Form 4684, line 36 Enter the portion from other than casualty or theft on Form 4797, line 6	32	

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less (see instructions)

			(a) Section 179	(b) Section 280F(b)(2)
33	Section 179 expense deduction or depreciation allowable in prior years . . .	33		
34	Recomputed depreciation (see instructions)	34		
35	Recapture amount Subtract line 34 from line 33 See the instructions for where to report . . .	35		

The Queen's Medical Center and Subsidiary

Consolidated Financial Statements as of and for the Years Ended June 30, 2011 and 2010, and Independent Auditors' Report

THE QUEEN'S MEDICAL CENTER AND SUBSIDIARY

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Deloitte

Deloitte & Touche LLP
1132 Bishop Street
Suite 1200
Honolulu, HI 96813-2870
USA

Tel +1 808 543 0700
Fax +1 808 526 0225
www deloitte com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Queen's Medical Center
Honolulu, Hawaii

We have audited the accompanying consolidated balance sheets of The Queen's Medical Center and subsidiary (QMC) as of June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended These consolidated financial statements are the responsibility of QMC's management Our responsibility is to express an opinion on these consolidated financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement An audit includes 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 QMC's internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of QMC at June 30, 2011 and 2010, and the results of its operations and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Deloitte + Touche LLP

October 7, 2011

THE QUEEN'S MEDICAL CENTER AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2011 AND 2010
(In thousands)

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 24,444	$ 36,486
Receivables — less allowance for uncollectible accounts of $41,221 in 2011 and $34,015 in 2010	71,296	80,358
Due from affiliates	598	600
Inventories	8,238	8,284
Interest in pooled investment fund and other — current	459,866	339,372
Prepaid expenses and other current assets	9,074	9,151
Assets whose use is limited or restricted — current	12,742	11,912
Total current assets	586,258	486,163
INTEREST IN POOLED INVESTMENT FUND AND OTHER — Less current portion	61,388	63,266
ASSETS WHOSE USE IS LIMITED OR RESTRICTED — Less current portion	19,794	20,723
LAND, BUILDINGS, AND EQUIPMENT — Net	238,869	245,357
DEFERRED FINANCING FEES — Net	6,386	6,758
OTHER ASSETS	1,481	1,537
TOTAL	$914,176	$823,804

(Continued)

THE QUEEN'S MEDICAL CENTER AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2011 AND 2010
(In thousands)

LIABILITIES AND NET ASSETS	2011	2010
CURRENT LIABILITIES		
Accrued salaries and benefits	$ 34,749	$ 34,354
Accounts payable and other accrued liabilities	36,679	29,359
Due to government reimbursement programs — current	6,769	6,018
Due to affiliates	6,899	5,027
Long-term debt — current	15,342	13,165
Total current liabilities	100,438	87,923
LONG-TERM DEBT — Less current portion	283,580	295,286
DUE TO GOVERNMENT REIMBURSEMENT PROGRAMS — Less current portion	17,659	11,919
PENSION AND POSTRETIREMENT LIABILITIES	95,688	112,964
OTHER LONG-TERM LIABILITIES	29,342	35,443
Total liabilities	526,707	543,535
NET ASSETS		
Unrestricted	368,637	262,843
Temporarily restricted	12,881	11,475
Permanently restricted	5,951	5,951
Total net assets	387,469	280,269
TOTAL	$914,176	$823,804

See notes to consolidated financial statements (Concluded)

THE QUEEN'S MEDICAL CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(In thousands)

	2011	2010
UNRESTRICTED OPERATING REVENUES		
Net patient service revenues	$622,478	$614,442
Other	23,015	18,900
Total unrestricted operating revenues	645,493	633,342
NET ASSETS RELEASED FROM RESTRICTIONS	12,683	11,006
TOTAL OPERATING REVENUES AND OTHER SUPPORT	658,176	644,348
UNRESTRICTED OPERATING EXPENSES		
Salaries, wages, and employee benefits	339,011	323,051
Supplies	105,229	102,052
Purchased services	79,954	72,500
Depreciation and amortization	35,996	37,533
Provision for bad debts	30,096	29,976
Professional fees	25,942	24,255
Rent and utilities	15,318	13,714
Interest	9,903	10,178
Insurance and other allocated costs from affiliates	8,469	8,302
Other	15,699	15,878
Total unrestricted operating expenses	665,617	637,439
OPERATING (LOSS) INCOME	(7,441)	6,909
NONOPERATING INCOME (EXPENSE)		
Investment income — net	36,696	34,132
Gain (loss) on interest rate swap	4,679	(8,098)
Net assets released from restrictions	351	-
Other expense	(1,560)	(1,433)
Total nonoperating income	40,166	24,601
EXCESS OF REVENUES OVER EXPENSES (Forward)	32,725	31,510

(Continued)

THE QUEEN'S MEDICAL CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(In thousands)

	2011	2010
EXCESS OF REVENUES OVER EXPENSES (Forwarded)	$ 32,725	$ 31,510
OTHER CHANGES		
Net unrealized gains on investments	30,229	2,311
Pension related changes other than net periodic pension cost	16,982	(12,234)
Net assets released from restrictions used for capital expenditures	294	157
Transfers from affiliates — net	25,564	15,176
Total other changes	73,069	5,410
INCREASE IN UNRESTRICTED NET ASSETS	105,794	36,920
TEMPORARILY RESTRICTED NET ASSETS		
Restricted gifts and grants	4,938	2,901
Investment income — net	2,172	1,307
Net assets released from restrictions used for operating expenses	(12,683)	(11,006)
Net assets released from restrictions used for nonoperating expenses	(351)	-
Net assets released from restrictions used for capital expenditures	(294)	(157)
Transfers from affiliates — net	7,624	7,054
Increase in temporarily restricted net assets	1,406	99
PERMANENTLY RESTRICTED NET ASSETS — Restricted gifts	-	851
INCREASE IN NET ASSETS	107,200	37,870
NET ASSETS — Beginning of year	280,269	242,399
NET ASSETS — End of year	$387,469	$280,269

See notes to consolidated financial statements (Concluded)

THE QUEEN'S MEDICAL CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(In thousands)

	2011	2010
OPERATING ACTIVITIES		
Increase in net assets	$ 107,200	$ 37,870
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net realized and unrealized investment gains and income on pooled investments	(68,866)	(37,526)
(Gain) loss on interest rate swap	(4,679)	8,098
Pension related changes other than net periodic pension cost	(16,982)	12,234
Depreciation and amortization	35,996	37,533
Restricted gifts	-	(851)
Provision for bad debts	30,096	29,976
Transfer of equipment (from) to The Queen's Health Systems	(1,805)	1,783
Loss on disposition of land, buildings, and equipment	442	553
Changes in operating assets and liabilities		
Receivables	(20,743)	(32,978)
Due to government reimbursement programs	6,491	8,443
Due to/from affiliates	2,000	3,157
Accounts payable and accrued salaries, benefits, and other liabilities	5,502	504
Other	1,138	11,187
Net cash provided by operating activities	75,790	79,983
INVESTING ACTIVITIES		
Purchases of land, buildings, and equipment	(22,401)	(27,149)
Proceeds from sale of land, buildings, and equipment	276	-
Proceeds from sale of investments	8,219	19,974
Purchases of investments and assets whose use is limited or restricted	(59,471)	(61,185)
Proceeds from assets whose use is limited or restricted	1,600	4,420
Other	(688)	144
Net cash used in investing activities	(72,465)	(63,796)
FINANCING ACTIVITIES		
Restricted gifts	-	851
Repayment of long-term debt	(13,299)	(10,222)
Dividend distribution to minority interest holder	(1,950)	(600)
Payment of deferred financing costs	(118)	(23)
Net cash used in financing activities	(15,367)	(9,994)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,042)	6,193
CASH AND CASH EQUIVALENTS — Beginning of year	36,486	30,293
CASH AND CASH EQUIVALENTS — End of year	$ 24,444	$ 36,486

(Continued)

THE QUEEN'S MEDICAL CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(In thousands)

	2011	2010
SUPPLEMENTAL CASH FLOW INFORMATION — Interest paid — net of amounts capitalized	$ 10,544	$ 10,581
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchases of buildings and equipment included in accounts payable and accrued liabilities at year-end	$ 5,862	$ 3,377
Transfers of land, buildings, and equipment from (to) affiliate	$ 1,805	$ (1,783)
Debt and capital lease obligations assumed in exchange for equipment and leasehold improvements	$ 3,769	$ -

See notes to consolidated financial statements (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission — The Queen's Medical Center (QMC) is a 505-bed acute care and 28-bed subacute care hospital located in Honolulu, Hawaii. QMC provides services to patients, substantially all of whom are Hawaii residents, under unsecured credit terms. QMC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code and related sections of the Hawaii Revised Statutes, respectively. QMC is subject to federal and state income taxes solely on its unrelated business taxable income.

The Queen's Health Systems (QHS), a tax-exempt support organization as described in Sections 501(c)(3) and 509(a)(3) of the Code, is the sole member of QMC. QHS is the sole member of two additional not-for-profit corporations, Queen Emma Land Company (QEL) and Molokai General Hospital (MGH). QHS is also the parent of Queen's Development Corporation (QDC) and Queen's Insurance Exchange, Inc. (QIE). QDC owns and manages income-producing, health care-related real estate and is engaged in other health-related business activities. QIE is a Hawaii-domiciled pure captive insurance company.

QMC, QHS, and QDC are members of The Queen's Health Systems Obligated Group (the "Obligated Group"). Diagnostic Laboratory Services, Inc. (DLS), a 90% owned QDC subsidiary, is also a member of the Obligated Group.

In 1997, QMC and Hamamatsu Photonics K.K., a limited company created under the laws of Japan, entered into an agreement to organize a domestic, manager-managed limited liability company, Hamamatsu/Queen's PET Imaging Center, LLC (LLC). In 2006, Hamamatsu Photonics K.K. assigned its membership in the LLC to its U.S. subsidiary, Photonics Management Corp. ("Photonics"). The LLC was formed to build, maintain, and operate a positron emission tomography research and diagnostic imaging center in the State of Hawaii. Operations of the LLC commenced in October 1998. QMC has a 70% interest in the LLC. The LLC is included in the consolidated financial statements of QMC. The Photonics' 30% noncontrolling interest was $1,299 and $3,044 at June 30, 2011 and 2010, respectively.

QMC's mission is to serve the health needs of the citizens of the State of Hawaii. As such, revenues from services provided to support the activities of affiliates and from rental income, all of which are used exclusively for health-related services provided by QMC, are considered operating activities and are included in unrestricted revenue. Investment earnings on unrestricted cash and investments, which are also used exclusively for health-related services provided by QMC, are included in nonoperating income.

Significant Accounting Policies

Principles of Consolidation — The consolidated financial statements include the accounts of QMC and the LLC, which is more than 50% owned and over which QMC exercises control. These consolidated financial statements conform to accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). Intercompany balances and transactions have been eliminated in the consolidated financial statements.

Use of Estimates — The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions based on available information that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Cash and Cash Equivalents — Cash equivalents include short-term, highly liquid investments with maturities of three months or less at the date of purchase, and are stated at cost, which approximates market value Excluded are amounts whose use is limited or restricted by board designations or other arrangements under trust agreements

Allowance for Uncollectible Accounts — QMC provides for accounts receivable that could become uncollectible by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value QMC estimates the allowance based on the aging of the accounts receivable, historical collection experience by payor, and other relevant factors

Inventories — Inventories, consisting principally of medical drugs and supplies, are valued at the lower of cost (average cost method) or market

Interest in Pooled Investment Fund and Other — QMC, QEL, MGH, and QHS combine their investments in a pooled investment fund, which is managed by QHS The pooled investment fund invests in money market funds, U S Government obligations, corporate debt securities, equity securities, mutual funds, common trust funds, and limited liability entities (hedge funds, publicly traded equities, real estate investments, and private equities) Other investments are primarily money market funds and U S Government obligations that are accounted for as other-than-trading securities Investments classified as trading securities are recorded at fair value and changes in value are recorded within the performance indicator Investments classified as other-than-trading securities are also recorded at fair value, with realized gains and losses reported within the performance indicator, including other-than-temporary impairments, and unrealized gains and losses reported below the performance indicator

QHS values the investments in the fund as follows investments in money market funds, debt and equity securities, and mutual funds with readily determinable market values are measured at fair value based on quoted market prices and investments in limited liability entities are accounted for under the equity method of accounting and are valued at estimated fair values based on their proportionate share of the respective entities' fair value as recorded in the respective entities' financial statements QHS estimates the fair value of its investments in investment companies for which the investment does not have readily determinable fair value, primarily common trust fund investments, using net asset value or its equivalent, as provided by the investment manager QHS determines the appropriate classification of all investments at the date of purchase and evaluates such designations at each balance sheet date Investments that are available for current operations are classified as current assets Investments that cannot be sold within a year due to restrictions contained in the agreements are classified as noncurrent assets

QHS classifies its investments in debt and equity securities that are managed in "separate accounts" by fund managers as trading securities In order to maximize the investment return on these securities, the external fund managers frequently buy and sell these securities Additionally, in connection with the fund managers' arrangements to manage these securities, QHS provided the external fund managers the ability to sell and buy such securities without consents Therefore, QMC classifies these investments as trading securities

Investment income, which is presented within the performance indicator, includes all dividends and interest, unrestricted realized gains and losses, net of investment management fees, other-than-temporary impairment (OTTI), unrealized gains and losses on trading securities, and equity in earnings and losses of limited liability entities QHS allocates net investment income on investments to QMC based on its proportionate interest in the pooled investment fund, and QMC reports the investment returns on the consolidated statements of operations and changes in net assets in the same category as reported by QHS

QMC assesses whether OTTI has occurred based upon a case-by-case evaluation of the underlying reasons for the decline in estimated fair value of its investment All securities with a gross unrealized loss at each reporting period are subjected to a process for identifying OTTI QMC considers a wide range of factors, as described below, about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery Inherent in the evaluation of each security are assumptions and estimates about the operations of the issuer and its future earnings potential

Considerations used in the impairment evaluation process include, but are not limited to, the following

- Duration and extent that the estimated fair value has been below net carrying amount
- Ability and intent to hold the investment for a period of time to allow for a recovery of value
- Fundamental analysis of the liquidity and financial condition of the specific issues
- Industry factors or conditions related to a geographic area that are negatively affecting the security
- Underlying valuation of assets specifically pledged to support the credit
- Past due interest or principal payments or other violations of covenants
- Deterioration of the overall financial condition of the specific issuer
- Downgrades by a rating agency

Securities that are deemed to be other-than-temporarily impaired are written down to estimated fair value in the period the securities are deemed to be impaired

Assets Whose Use is Limited or Restricted — Assets whose use is limited or restricted include assets restricted by the donors and assets held by trustees for the repayment of bonds and purchase of capital assets Amounts required to meet current liabilities of QMC have been reflected as current assets in the consolidated balance sheets as of June 30, 2011 and 2010

Investments in Affiliates — Investments in which QMC owns 20% or more and exercises influence, but which QMC does not control, are accounted for using the equity method

Land, Buildings, and Equipment — Land, buildings, and equipment are recorded on the basis of cost or fair market value at the date of acquisition or donation, respectively Buildings and equipment, including amounts recorded under capital lease obligations, are depreciated by the straight-line method over their estimated useful lives ranging from 3 to 40 years

Deferred Financing Fees — Costs of issuing long-term debt are deferred and amortized to expense using the straight-line method, which approximates the effective interest method, over the term of the debt

Long-Lived Assets — Long-lived assets held and used by QMC are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable When such events or changes occur, an estimate of the future cash flows expected to result from the use of the assets and their eventual disposition is made If the sum of such expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the assets, an impairment loss is recognized in an amount by which the assets' net book values exceed fair values

Derivative Financial Instruments — QMC periodically uses derivative financial instruments, such as interest rate hedging products to mitigate risk The use of derivative instruments is limited to reducing its risk exposure by utilizing interest rate swap agreements QMC records the value of its swaps as other assets or long-term liabilities in its consolidated balance sheets and records the change in the fair value of the swaps in nonoperating income or expense

Temporarily and Permanently Restricted Net Assets — Restricted net assets consist of donations and other funds where restrictions have been imposed by donors as to the use of the funds Temporarily restricted net assets consist of those net assets whose use by QMC has been limited by donors to a specific purpose or time period When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions Permanently restricted net assets consist of the principal of net assets whose use by QMC has been restricted in perpetuity by the donors Earnings on permanently restricted net assets are considered unrestricted, unless otherwise restricted by the donor

Net Patient Service Revenue — Net patient service revenue is recognized and patient accounts receivable is recorded as services are provided and are 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

Significant concentrations of patient accounts receivable at June 30, 2011 and 2010, included

	2011	2010
Medicare	25 %	27 %
Medicaid	15	14
Hawaii Medical Service Association	13	15

Government Reimbursement Programs — QMC renders services to patients under contractual agreements with the Medicare and Medicaid programs The percentage of patient service revenue attributable to the Medicare and Medicaid programs, respectively, approximated 40% and 18% in 2011 and 39% and 16% in 2010 Medicare acute inpatient services are reimbursed based on clinical, diagnostic, and other factors, and for Medicaid, a per diem rate for routine services and a per discharge rate for ancillary services Outpatient services related to Medicare and Medicaid beneficiaries are paid based upon a prospective payment system, fee schedules, percentage of charges, or a cost reimbursement method Prospectively determined reimbursements are paid to QMC based on claims submitted, however, certain items, such as medical education costs, capital costs, bad debts, and disproportionate share hospital (DSH) payment adjustments, are reimbursed based upon estimated interim rates, with final settlement determined after annual cost reports submitted by QMC are audited by the fiscal intermediary Normal estimation differences between final settlements and amounts accrued in previous years due to audit adjustments recorded by the fiscal intermediary are reported as current year increases to revenues and excess of revenues over expenses and amounted to $1,470 and $4,295 for the years ended June 30, 2011 and 2010, respectively QMC has the ability to appeal the adjustments based on a process established by Medicare and Medicaid

QMC recognized $7,244 relating to DSH payments received from the State of Hawaii Department of Human Services for the year ended June 30, 2011 Amounts received from the State of Hawaii under this program are subject to annual determination

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation As a result, there is a reasonable probability that recorded estimates will change by a material amount in the near term QMC believes that it is in compliance with applicable laws and regulations and actively resolves issues as identified Compliance with such laws and regulations can be subject to future government review and interpretation, and noncompliance could result in significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs

Charity Care — QMC provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates Because QMC does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient revenue

QMC maintains records to identify and monitor the level of charity care it provides These records include the amount of charges foregone for services and supplies furnished under its financial assistance policy, the estimated cost of those services and supplies, and equivalent service statistics Charity care during the years ended June 30, 2011 and 2010, was as follows

	2011	2010
Charges foregone — based on established rates	$5,657	$6,457
Estimated costs and expenses incurred to provide charity care	2,382	2,628

Contributions — Unconditional promises by donors of cash and other assets are reported at fair value at the date the promise is received The gifts are reported either as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions

Income Taxes — QMC is subject to federal and state income taxes solely on its unrelated business taxable income (UBTI) The income tax expense recognized was not material for the years ended June 30, 2011 and 2010, and there were no significant differences between UBTI for financial statement and tax purposes QMC regularly assesses its tax positions and did not have material uncertain tax benefits for the years ended June 30, 2011 and 2010

Expenses by Functional Classification — Expenses incurred during the years ended June 30, 2011 and 2010, were for the following programs and support services

	2011	2010
Patient services	$570,669	$549,053
Administrative and general	94,948	88,386
Total	$665,617	$637,439

Performance Indicator — QMC's performance indicator is the excess of revenues over expenses The indicator excludes equity transfers to or from related entities under common control, net unrealized gains (losses) on other-than-trading securities, net assets released from restrictions used for capital expenditures, and pension related changes other than net periodic pension cost

Recent Accounting Pronouncements — In April 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No 2010-07, *Not-for-Profit Mergers and Acquisitions, including an amendment of FASB Statement No 142* (ASU 2010-07) This statement

provides guidance on accounting for a combination of not-for-profit entities and applies to a combination that meets the definition of either a merger of not-for-profit entities or an acquisition by a not-for-profit entity This statement amends both Statement of Financial Standards (SFAS) No 142, *Goodwill and Other Intangible Assets*, and SFAS No 160, *Noncontrolling Interests in Consolidated Financial Statements*, to make their provisions fully applicable to not-for-profit entities The provisions of ASU 2010-07, which are to be applied prospectively for business combinations, were effective for QMC on July 1, 2010, and did not have a material impact on the consolidated financial statements

In January 2010, the FASB issued ASU No 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06), which amended Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, to require new disclosures related to transfers in and out of Level 1 and Level 2 fair value measurements including reasons for the transfers, and to require new disclosures related to activity in Level 3 fair value measurements In addition, ASU 2010-06 clarifies existing disclosure requirements related to the level of disaggregation of classes of assets and liabilities and provides further detail about inputs and valuation techniques used for fair value measurement The adoption of ASU 2010-06 will result in additional disclosures to the notes of the consolidated financial statements

In August 2010, the FASB issued ASU No 2010-23, *Healthcare Entities (Topic 954) Measuring Charity Care for Disclosure — a Consensus of the FASB Emerging Issues Task Force* (ASU 2010-23) ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care ASU 2010-23 also requires disclosure of the method used to identify or determine such costs The provisions of ASU 2010-23 are to be applied retrospectively and are effective for fiscal years beginning after December 15, 2010 Management does not expect that the adoption of this guidance will have a material impact on the consolidated financial statements

In August 2010, the FASB issued ASU No 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries — a consensus of the FASB Emerging Issues Task Force* (ASU 2010-24) ASU 2010-24 clarifies that a health care entity should not net insurance recoveries against a related claim liability and provides that the amount of the claim liability should be determined without consideration of insurance recoveries A cumulative-effect adjustment should be recognized in opening net assets in the period of adoption if a difference exists between any liabilities and insurance receivables recorded as a result of applying the provisions of ASU 2010-24 ASU 2010-24 is effective for fiscal years beginning after December 15, 2010 Management is evaluating the effect that this guidance will have on the consolidated financial statements

In May 2011, the FASB issued ASU No 2011-04, *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U S Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)* (ASU 2011-04) The amendments in this ASU result in common fair value measurement and disclosure requirements in GAAP and IFRS Consequently, the amendments change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements To improve consistency in application across jurisdictions, some changes in wording are necessary to ensure that GAAP and IFRS fair value measurement and disclosure requirements are described in the same way ASU 2011-04 also provides for certain changes in current GAAP disclosure requirements, for example with respect to the measurement of level 3 assets and for measuring the fair value of an instrument classified in a reporting entity's net assets The amendments in ASU 2011-04 are to be applied prospectively, and are effective for the fiscal years beginning after December 15, 2011 Management is evaluating the effect that this guidance will have on the consolidated financial statements

In July 2011, the FASB issued ASU No 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07) ASU 2011-07 requires the Company to present its allowance for doubtful accounts related to patient service revenue as a deduction from revenue, similar to contractual discounts Accordingly, the Company's revenues will be required to be reported net of both contractual discounts as well as its allowance for doubtful accounts related to patient service revenues Additionally, ASU 2011-07 will require the Company to make certain additional disclosures designed to help users understand how contractual discounts and bad debts affect recorded revenue in consolidated financial statements For public companies, the amendments in ASU 2011-07 are to be applied retrospectively and are effective for fiscal years beginning after December 15, 2011, with early adoption permitted The adoption of this guidance will not have an impact to the consolidated financial statements' performance indicator

2. INVESTMENTS AND ASSETS WHOSE USE IS LIMITED OR RESTRICTED AND FAIR VALUE MEASUREMENTS

QMC's investments and assets whose use is limited or restricted as of June 30, 2011 and 2010, consisted of the following

	2011	2010
Proportionate interest in the QHS pooled investment fund	$539,053	$411,435
Money market funds	14,512	16,337
U S Government obligations	225	7,501
Total	$553,790	$435,273

The classifications of investments in the consolidated balance sheets as of June 30, 2011 and 2010, were as follows

	2011	2010
Interest in pooled investment fund and other		
Current	$459,866	$339,372
Noncurrent	61,388	63,266
Assets whose use is limited or restricted		
Current	12,742	11,912
Noncurrent	19,794	20,723
Total	$553,790	$435,273

QMC, QEL, MGH, and QHS combine their investments in a pooled investment fund, which is managed by QHS The pooled investment fund invests in money market funds, U S Government obligations, corporate debt securities, equity securities, mutual funds, common trust funds, and limited liability entities QHS allocates the investment income and unrealized gains and losses on investments to QMC based on its proportionate interest in the pooled investment fund (71% and 68% at June 30, 2011 and 2010, respectively)

Investments in the QHS pooled investment fund as of June 30, 2011 and 2010, were as follows

	2011	2010
Investments at fair value		
Money market funds	$ 43,273	$ 36,233
U S Government obligations and corporate debt securities	5,801	17,248
Equity securities	68,410	52,572
Mutual funds	456,747	314,063
Common trust funds	20,590	15,502
Total investments at fair value	594,821	435,618
Investments using equity method		
Publicly traded equities	29,826	24,979
Hedge funds	87,973	91,143
Private equities	37,158	38,258
Real estate	14,024	11,573
Total investments using equity method	168,981	165,953
Total investments	$763,802	$601,571

Hedge funds may include investments in equities, equity-related instruments, fixed income/structured credit, and other debt-related instruments, private investments, distressed public investments, and asset-based lending businesses (ownership percentages range from less than 1% to 3%) Private equities include, but are not limited to, investments in undervalued debt, real estate-related equity securities, and investments in energy, telecommunications, media, and health care industries (ownership percentages range from less than 1% to 7%)

At June 30, 2011, QHS was committed to invest approximately $3,849 of additional capital in various private equity investments

QMC maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value QMC's hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and assigns the lowest priority to unobservable inputs (level 3 measurements) The three levels of inputs within the hierarchy are defined as follows

Level 1 — Quoted (unadjusted) prices for identical assets or liabilities in active markets

Level 2 — Other observable inputs, either directly or indirectly, including

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc)
- Inputs other-than-quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3 — Unobservable inputs that cannot be corroborated by observable market data

Fair values of other-than-trading and trading securities are based on quoted market prices, where available The Bank of New York Mellon, as custodian for QHS, obtains one price for each security primarily from a third-party pricing service ("pricing service"), which generally uses level 1 or level 2 inputs for the determination of fair value in accordance with ASC 820-10 The pricing service normally derives the security prices from recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information In the absence of a vendor, system trade/cost or broker price for debt instruments the pricing staff will price the security using the investment manager's price or last known price As QHS is responsible for the determination of fair value, it performs periodic analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value As a result of the reviews, QHS has not historically adjusted the prices obtained from the pricing service

In the instances in which the inputs used to measure the fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety The QHS assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset

QHS permits investments in cash and cash equivalents, fixed income securities, equity securities, real return assets, tactical assets, hedge funds, and private equities The QHS investment strategy is to generate a return that is sufficient to meet its current and expected future financial requirements, with an acceptable level of risk QHS has engaged a number of investment managers to implement various investment strategies to achieve the desired asset class mix, liquidity, and risk diversification objectives

During 2011, QHS adopted the reporting requirements of ASU 2010-06, which clarified disclosure requirements related to the level of disaggregation of classes of investments The following tables present information about the QHS pooled investment fund and QMC's financial assets and liabilities measured at fair value at June 30, 2011 and 2010 There were no reclassifications between level 1 and level 2 investments in 2011 and 2010 QMC classifies its interest in the pooled investment fund as level 2 Assets included in the pooled investment fund are presented according to the valuation techniques QHS used to determine their fair values

	Fair Value Measurement at June 30, 2011			
QHS Pooled Investment Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Pooled investments and assets whose use is limited or restricted				
Trading securities				
Money market funds	$ 138	$ 30,054	$ -	$ 30,192
Foreign currency	3,075	-	-	3,075
U S Government obligations	185	2,621	-	2,806
Corporate debt securities	-	2,995		2,995
Equity securities				
Domestic large-cap	41,709	-	-	41,709
Domestic mid-cap	26,623	-	-	26,623
Global	78	-	-	78
Total trading securities	71,808	35,670	-	107,478
Other-than-trading securities				
Money market funds	10,006	-	-	10,006
Mutual funds				
Fixed income	167,752	-	-	167,752
Global equities	128,782	-	-	128,782
Mid-cap equities	24,430	-	-	24,430
Real return	68,486	-	-	68,486
Tactical	67,297	-	-	67,297
Common trust funds	-	20,590	-	20,590
Total other-than-trading securities	466,753	20,590	-	487,343
Total pooled investments and assets whose use is limited or restricted	$ 538,561	$ 56,260	$ -	$ 594,821
QMC Other Assets and Liabilities				
Assets				
Investments and assets whose use is limited or restricted — other-than-trading securities				
Money market funds	$ 14,512	$ -	$ -	$ 14,512
U S Government obligations and corporate debt securities	-	225	-	225
Total investments and assets whose use is limited or restricted	$ 14,512	$ 225	$ -	$ 14,737
Liabilities — other long-term liabilities — interest rate swap liabilities	$ -	$ 23,325	$ -	$ 23,325

QHS Pooled Investment Fund	Fair Value Measurement at June 30, 2010 Level 1	Level 2	Level 3	Total
Assets				
Pooled investments and assets whose use is limited or restricted				
Trading securities				
Money market funds	$ -	$ 32,566	$ -	$ 32,566
Foreign currency	3,667	-	-	3,667
U S Government obligations	3,427	5,209	-	8,636
Corporate debt securities	-	8,612	-	8,612
Equity securities				
Domestic large-cap	32,168	-	-	32,168
Domestic mid-cap	19,386	-	-	19,386
Global	1,018	-	-	1,018
Total trading securities	59,666	46,387	-	106,053
Other-than-trading securities				
Mutual funds				
Fixed income	103,889	-	-	103,889
Global equities	90,952	-	-	90,952
Mid-cap equities	18,278	-	-	18,278
Real return	52,887	-	-	52,887
Tactical	48,057	-	-	48,057
Common trust funds	-	15,502	-	15,502
Total other-than-trading securities	314,063	15,502	-	329,565
Total pooled investments and assets whose use is limited or restricted	$ 373,729	$ 61,889	$ -	$ 435,618
QMC Other Assets and Liabilities				
Assets				
Cash and cash equivalents — money market funds	$ 109	$ -	$ -	$ 109
Investments and assets whose use is limited or restricted — other-than-trading securities				
Money market funds	$ 2,450	$ 13,887	$ -	$ 16,337
U S Government obligations and corporate debt securities	-	7,501	-	7,501
Total investments and assets whose use is limited or restricted	$ 2,450	$ 21,388	$ -	$ 23,838
Liabilities — other long-term liabilities — interest rate swap liabilities	$ -	$ 28,004	$ -	$ 28,004

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

Money Market Funds — Fair value estimates for money market funds were based on quoted market prices and/or other market data for comparable funds in establishing the prices Fair values of money market funds that do not trade on a regular basis in active markets were classified as level 2

U S Government Obligations and Corporate Debt Securities — This category includes investments in U S Government and corporate bond securities, U S dollar- and non-U S dollar-denominated securities, and money market instruments The estimated fair values of U S Government obligations and corporate debt securities were based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing prices Due to the nature of pricing fixed income securities, management has classified the debt securities as level 2

Equity Securities — This category includes both domestic equity securities of large-cap and mid-cap companies, as well as domestic and foreign equities in developed and developing countries Fair value estimates for publicly traded securities are based on quoted market prices

Mutual Funds — This category includes investments in real estate, inflation-protected bonds, global equities, and commodities The estimated fair value of mutual funds were based on quoted market prices

Common Trust Funds — This category includes both taxable and tax-exempt assets The investments reported as common trust funds consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the QHS interest therein, its classification in level 2 is based on the QHS ability to redeem its interest at or near the date of the consolidated balance sheets The fund has a monthly redemption frequency with a redemption notice required by the 22nd calendar day of the preceding month

Interest Rate Swap Liabilities — The fair value of the interest rate swaps were estimated using the terms of the swaps and publicly available market yield curves Because the swaps are unique and are not actively traded, the fair values were classified as level 2 estimates QMC considered its own nonperformance risk as observed through the credit default swap market, bond market, and prices for recent trades in determining the valuation of the interest rate swap liability

Investments within the QHS pooled investment fund classified as other-than-trading securities at June 30, 2011 and 2010, consisted of the following

2011	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 10,006	$ -	$ -	$ 10,006
Mutual funds	414,744	42,003	-	456,747
Common trust funds	19,875	715	-	20,590
Total investments	$444,625	$42,718	$ -	$487,343
2010				
Mutual funds	$309,852	$10,219	$(6,008)	$314,063
Common trust funds	15,407	95	-	15,502
Total investments	$325,259	$10,314	$(6,008)	$329,565

The aggregate amortized cost basis and aggregate fair value of QMC's investments in U S Government obligations at June 30, 2010, were $7,499 and $7,501, respectively, and reflected gross unrealized gains of $2 at June 30, 2010 These investments matured in 2011 There were no gross unrealized losses at June 30, 2011 and 2010 The amortized cost basis of QMC's investments in money market funds of $14,512 and $16,337 approximated fair value at June 30, 2011 and 2010, respectively

The proceeds from sales of other-than-trading securities, excluded from the QHS pooled investment fund, were $7,509 and $26,335 in 2011 and 2010, respectively There were no significant gross realized gains or losses as a result of those sales QMC uses the average cost method to determine the cost basis for securities sold

QMC's total return on investments for the years ended June 30, 2011 and 2010, were comprised of the following

	2011	2010
Total investment income — net		
Interest and dividend income	$ 7,412	$ 6,524
Realized gains — net of expenses	7,671	34,686
Unrealized gain (loss) on trading securities	7,345	(17,622)
Equity in earnings of limited liability entities	14,268	10,544
Total unrestricted investment income — net	$ 36,696	$ 34,132
Other changes in unrestricted net assets — net unrealized gain on unrestricted investments	$ 30,229	$ 2,311
Other changes in temporarily restricted net assets		
Investment gains	$ 190	$ 1,638
Net unrealized gains (losses) on investments	1,982	(331)
Total temporarily restricted investment gain — net	$ 2,172	$ 1,307

3. LAND, BUILDINGS, AND EQUIPMENT

Property at June 30, 2011 and 2010, consisted of the following

	2011	2010
Land and land improvements	$ 30,893	$ 29,433
Buildings	196,005	194,372
Equipment and furnishings	385,799	379,275
Equipment under capital leases	8,070	6,548
Construction in progress	16,034	9,321
Total	636,801	618,949
Less accumulated depreciation and amortization	(397,932)	(373,592)
Land, buildings, and equipment — net	$ 238,869	$ 245,357

Depreciation expense was $35,506 and $37,024 for the years ended June 30, 2011 and 2010, respectively

4. LONG-TERM DEBT

Long-term debt at June 30, 2011 and 2010, consisted of the following

	2011	2010
Special Purpose Revenue Refunding Bonds 2009 Series A, variable interest rates (average interest rate of 0 3%), with final maturity in July 2029	$ 37,640	$ 39,110
Special Purpose Revenue Refunding Bonds 2009 Series B, variable interest rates (average interest rate of 0 3%), with final maturity in July 2029	37,640	39,110
Special Purpose Revenue Refunding Bonds 2006 Series A, variable interest rates (average interest rate of 0 4%), with final maturity in July 2025	50,225	52,425
Special Purpose Revenue Refunding Bonds 2006 Series B, variable interest rates (average interest rate of 0 4%), with final maturity in July 2024	75,750	80,050
Special Purpose Revenue Refunding Bonds 2003 Series A, variable interest rates (average interest rate of 0 5%), with final maturity in July 2029	36,900	38,125
Special Purpose Revenue Refunding Bonds 2003 Series B, variable interest rates (average interest rate of 0 5%), with final maturity in July 2029	36,175	37,400
QMC`s share of commercial paper	18,379	18,379
Capital leases and other obligations	6,213	3,852
Total	298,922	308,451
Less current portion	(15,342)	(13,165)
Total noncurrent portion	$283,580	$295,286

The Series 2009A and 2009B Bonds are variable rate demand obligations issued by the Obligated Group QMC was allocated all of the bonds and the proceeds from issuance were used to refund the outstanding balances of the Series 2003C and 2006C Bonds Principal is due in annual installments ranging from $1,840 to $5,130 The Series 2009A and 2009B Bonds are supported by a letter of credit agreement that provides financing in the event that remarketing efforts fail for bonds tendered The letter of credit agreement was amended on September 30, 2011 to extend the term through 2015, thus, the Series 2009A and 2009B Bonds were classified as noncurrent as of June 30, 2011

The Series 2006A and 2006B Bonds are auction rate securities, which bear a variable rate of interest Principal on the Series 2006A and 2006B Bonds is due in annual installments ranging from $6,850 to $10,425 The Obligated Group entered into interest rate swap agreements to pay a fixed interest rate of 3 453% on the Series 2006B Bonds and a fixed interest rate of 3 58% on the Series 2006C Bonds The interest rate differential paid or received is recognized during the term of the agreements The interest rate swap agreements for the Series 2006B Bonds expire in 2024 and for the Series 2006C Bonds expire in 2028 or earlier if the Obligated Group exercises early termination provisions The notional amount of $117,400 at June 30, 2011, decreases annually based on the originally scheduled principal payments of the Series 2006B and 2006C Bonds

The Series 2003A and 2003B Bonds are auction rate securities, which bear a variable rate of interest Principal on the Series 2003A and 2003B Bonds is due in annual installments ranging from $2,600 to $5,050 The Obligated Group entered into an interest rate swap agreement to pay a fixed interest rate of 3 521% on all of its Series 2003A, 2003B, and 2003C Bonds The interest rate differential paid or received is recognized during the term of the agreements The interest rate swap agreement expires in 2029 or earlier if the Obligated Group exercises early termination provisions The notional amount of $105,290 at June 30, 2011, decreases annually based on the originally scheduled principal payments of the 2003A, 2003B, and 2003C Bonds

During the years ended June 30, 2011 and 2010, the change in the market value of the liabilities associated with the swap agreements discussed above, resulted in gains and (losses) of $4,679 and $(8,098), respectively, which were recognized in total nonoperating income The market value of liabilities associated with the swaps as of June 30, 2011 and 2010, was $23,325 and $28,004, respectively, and was included in other long-term liabilities

The 2003 and 2006 swaps are separate contracts between QHS and the swap counterparties They were not terminated as part of the Series 2003C and Series 2006C bond refunding due to unfavorable market conditions As such, QHS is still required to fulfill its contractual obligations under these agreements by paying the preestablished fixed interest rates to the respective swap counterparties

During fiscal years 2011 and 2010, QMC experienced failed auctions related to its auction rate securities In the event of a failed auction, QMC is required to pay interest at a preestablished rate that is a multiple of London InterBank Offered Rate (LIBOR) At June 30, 2011, the rate being paid on these securities was 175% of LIBOR

The Obligated Group has commercial paper outstanding of $75,130 at June 30, 2011, under its $90,000 loan agreement QMC is jointly and severally liable for this debt Of the proceeds received on this debt, QMC recorded $18,379, QDC recorded $53,810, and QHS recorded $2,941 Management believes QDC and QHS have the ability and intent to repay their share of the commercial paper, and that it is remote that QMC will need to pay any amount in excess of the proceeds that have been recorded by QMC The loan agreement expires on January 24, 2014, however, it allows for the refinancing of the commercial paper outstanding to a term loan with a maturity period of up to one year after 2014 Accordingly, amounts outstanding have been classified as noncurrent liabilities as of June 30, 2011

The terms of the Series 2003A, 2003B, 2006A, 2006B, 2009A, and 2009B Bonds Master Trust Indenture (MTI) require the Obligated Group to make payments solely from amounts held in funds and accounts established pursuant to the indenture, which are pledged to secure payment of the principal and interest on the Series 2003A, 2003B, 2006A, 2006B, 2009A, and 2009B Bonds The commercial paper is also secured under the MTI The MTI also limits the ability of the Obligated Group to incur additional indebtedness, make certain other commitments, or dispose of certain assets The Obligated Group is subject to various financial ratio covenants Management is not aware of any instances of noncompliance with such financial covenants

QMC leases equipment under lease agreements accounted for as capital leases The cost of such equipment was $8,070 and $6,548 and accumulated depreciation was $2,127 and $1,564 at June 30, 2011 and 2010, respectively

QMC incurred total interest costs of $10,040 and $10,568 during 2011 and 2010, respectively, of which $137 and $390 were capitalized in construction in progress in 2011 and 2010, respectively

At June 30, 2011, long-term debt matures as follows

Years Ending June 30	Revenue Bonds and Commercial Paper	Capital Leases and Other Obligations	Less Capital Lease Interest	Total
2012	$ 12,500	$ 3,079	$ (237)	$ 15,342
2013	12,935	2,714	(103)	15,546
2014	13,375	772	(12)	14,135
2015	13,825	-	-	13,825
2016	14,350	-	-	14,350
Thereafter	225,724	-	-	225,724
Total	$ 292,709	$ 6,565	$ (352)	$ 298,922

The carrying values of the bonds, commercial paper, and capital leases approximated their fair values at June 30, 2011 and 2010

5. NET ASSETS

Temporarily restricted net assets at June 30, 2011 and 2010, were available only for the following purposes

	2011	2010
Education and research	$ 9,545	$ 8,633
Facility replacement and expansion	1,781	1,405
Indigent care and other	1,555	1,437
Total	$ 12,881	$ 11,475

Permanently restricted net assets at June 30, 2011 and 2010, were restricted to investment in perpetuity, the income from which is expendable to support the following purposes

	2011	2010
Indigent care	$ 3,787	$ 3,787
Education and research	1,334	1,334
Other	830	830
Total	$ 5,951	$ 5,951

In accordance with the Uniform Prudent Management Institutional Funds Act (UPMIFA), QMC considers only permanently restricted net assets as donor-restricted endowment funds In accordance with UPMIFA and when applicable, QMC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds a) the duration and preservation of the fund, b) the purposes of QMC and the endowment fund, c) general economic conditions, d) the possible effect of inflation and deflation, e) the expected total return from income and the appreciation of investments, f) other resources of QMC, and g) the investment policies of QMC QMC's investment and long-term rate of return objectives follow the policies of its parent, QHS QMC received $851 in contributions in 2010 Amounts relating to investment income, net appreciation/depreciation and amounts appropriated for expenditure were not material during 2011 and 2010

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires QMC to retain as a fund of perpetual duration Deficiencies of this nature are reported as adjustments in unrestricted net assets Unfavorable market fluctuations resulted in investment deficiencies of $363 as of June 30, 2010

6. EMPLOYEE BENEFIT PLANS

Eligible employees of QMC are covered by The Queen's Health Systems Pension Plan (the "Plan"), which is a noncontributory defined benefit pension plan Pension benefits are provided to participants under several types of retirement options based upon years of continuous service, age, and compensation Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities, including a lump-sum payment option The funding policy is to contribute amounts as deemed necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to Plan members

QMC participates in the QHS three unfunded, postretirement welfare plans, covering substantially all of its employees, that provide medical benefits (until age 65), drug and vision benefits, and life insurance benefits The postretirement medical and drug and vision plans are contributory and also contain other cost-sharing features, such as deductibles and coinsurance

The following compares the changes in benefit obligations, changes in plan assets, and funded status of the pension and postretirement plans with the amounts recognized in the QHS consolidated balance sheets as of June 30, 2011 and 2010, and QMC's allocated interest

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Change in benefit obligations				
Benefit obligations — beginning of year	$266,681	$ 228,592	$ 25,926	$ 22,560
Service cost	12,228	9,931	851	740
Interest cost	14,438	14,401	1,415	1,415
Actuarial loss	3,708	23,193	58	1,734
Benefits paid	(9,929)	(9,436)	(538)	(523)
Benefit obligations — end of year	287,126	266,681	27,712	25,926
Change in plan assets				
Fair value of plan assets — beginning of year	165,110	150,984	-	-
Actual return on plan assets	29,625	17,562	-	-
Employer contributions	22,168	6,000	538	523
Benefits paid	(9,929)	(9,436)	(538)	(523)
Fair value of plan assets — end of year	206,974	165,110	-	-
Funded status	$ (80,152)	$ (101,571)	$ (27,712)	$ (25,926)
Amounts recognized in the balance sheets consisted of				
Other current liabilities	$ -	$ -	$ (771)	$ (702)
Pension and other postretirement benefits	(80,152)	(101,571)	(26,941)	(25,224)
Net amounts recognized	$ (80,152)	$ (101,571)	$ (27,712)	$ (25,926)
QMC's allocated interest	$ (70,978)	$ (90,041)	$ (24,710)	$ (22,923)

Amounts recognized in unrestricted net assets in the QHS consolidated balance sheets at June 30, 2011 and 2010, and QMC's allocated interest were as follows

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Net transition asset	$ -	$ -	$ 55	$ 77
Prior service cost	(61)	(167)	2,384	2,877
Net loss	83,680	102,246	2,952	2,937
Total	$83,619	$102,079	$5,391	$5,891
QMC's allocated interest	$73,374	$ 89,955	$4,785	$5,299

Amounts recognized in unrestricted net assets on the QHS consolidated balance sheet at June 30, 2011, that are expected to be recognized as components of benefit cost in the year ending June 30, 2012, were as follows

	Pension Benefits	Other Postretirement Benefits
Net transition obligation	$ -	$ 22
Prior service cost	(106)	493
Net loss	5,644	14
Total	$5,538	$529

Components of net periodic pension cost and amounts recognized in other changes in unrestricted net assets, in the QHS consolidated balance sheets, but not yet included in net periodic benefit costs were as follows

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Net periodic pension costs				
Service cost	$ 12,227	$ 9,931	$ 851	$ 740
Interest cost	14,438	14,401	1,415	1,415
Expected return on plan assets	(14,963)	(12,897)	-	-
Amortization of obligation	-	-	22	22
Amortization of prior service cost	(106)	(106)	493	493
Recognized net actuarial loss	7,612	7,191	43	-
Net periodic pension costs	$ 19,208	$ 18,520	$ 2,824	$ 2,670
QMC's allocated interest	$ 17,025	$ 16,333	$ 2,330	$ 2,364
Other changes in plan assets and benefit obligations recognized in other changes in unrestricted net assets				
Net actuarial (gain) loss	$ (10,953)	$ 18,528	$ 58	$ 1,734
Prior service cost (credit)	106	106	(493)	(493)
Recognized gain	(7,612)	(7,191)	(43)	-
Recognized obligation	-	-	(22)	(22)
Total recognized in other changes in unrestricted net assets	$ (18,459)	$ 11,443	$ (500)	$ 1,219
QMC's allocated interest	$ (16,581)	$ 11,188	$ (401)	$ 1,046

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost at June 30, 2011 and 2010, were as follows

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Benefit obligation				
Discount rate	5 68 %	5 47 %	5 68 %	5 47 %
Rate of compensation increase	4 00	4 00	-	-
Net periodic benefit cost				
Discount rate	5 47	6 35	5 47	6 35
Expected return on plan assets	8 50	8 50	-	-
Rate of compensation increase	4 00	4 00	-	-

The accumulated benefit obligation for the Plan was $257,047 and $238,439 at June 30, 2011 and 2010, respectively

The long-term rate of return of the Plan is management's estimate of the return on the plan assets over a long-time horizon The annual rate of return from the inception of the Plan to fiscal year 2011 was 8 5% Based upon the current policy allocations and historical returns, expected long-term rate of return for fiscal year 2011 was projected to be 8 5%

The annual rate of increase in the per capita cost of medical benefits (i e , health care cost trend rate) was assumed to be 8% in 2011, declining by 0 5% per year through 2019, and then remaining at 5% thereafter A one-percentage point increase or decrease in this rate would increase or decrease the Plan's accumulated postretirement benefit obligation by $376 and $335, respectively, as of June 30, 2011, and the Plan's service cost and interest cost component of net periodic postretirement benefit cost for the year ended June 30, 2011, by $52 and $46, respectively

QHS anticipates making contributions of $17,457 to the pension plan and $793 to the postretirement benefit plan during fiscal year 2012 The future estimated benefit payments for each plan are as follows

Years Ending June 30	Pension Benefits	Other Postretirement Benefits
2012	$ 13,641	$ 793
2013	16,382	925
2014	17,495	1,054
2015	18,355	1,185
2016	18,559	1,316
2017–2021	106,878	8,525

QMC participates in the QHS defined contribution retirement plans (the "Retirement Plans") that cover substantially all employees and provide participants the ability to make pretax deduction contributions for deposit into retirement savings accounts The participants' contributions are matched at a percentage of their total contributions and up to annual dollar limits per participant as defined by the Retirement Plans QMC's expense relating to the above Retirement Plans was approximately $7,685 and $7,284 for the years ended June 30, 2011 and 2010, respectively

The primary objective of the Plan investments is to prudently fund the liabilities for benefits under the Plan The Plan's investment strategy is to structure an investment program that most efficiently matches investment risks and return characteristics with the Plan's objectives Volatility and uncertainty of investment results are managed through asset allocation and diversification The Plan expects its investment fund managers to outperform their assigned benchmark indices and rank in the top one-third of all investment managers using a similar style over a three-year period The Plan's investment policy permits investments in cash and cash equivalents, fixed income securities, equity securities, real return assets, tactical assets, hedge funds, and private equities The Plan's asset allocation at June 30, 2011 and 2010, and the target allocations were as follows

	Target Range	2011 Actual	2010 Actual
Cash and cash equivalents	- %	2 0 %	0 3 %
Fixed income securities (a)	17–33	23 3	19 6
Domestic equities (b)	10–20	18 8	17 7
Global equities (c)	15–30	21 1	21 2
Real return investments (d)	10–20	14 1	14 4
Hedge fund investments (e)	10–20	12 0	15 2
Private equity investments (f)	0–10	3 2	5 6
Tactical investments (g)	0–10	5 5	6 0
		100 0 %	100 0 %

(a) This category includes investments in U S Government and corporate bond securities, mortgage and other asset-backed securities, U S dollar- and non-U S dollar-denominated securities, and money market instruments

(b) This category includes investments primarily in domestic equity securities of large-cap and mid-cap companies

(c) This category includes investments in domestic and foreign equities in developed and developing countries

(d) This category includes investments in real estate, inflation protected bonds, global equities, and commodities

(e) This category includes investments in direct hedge funds or hedge funds of funds that employ various strategies, consisting of, but not limited to, long/short equity, opportunistic/macro, distressed securities, merger arbitrage/event driven, short selling, credit investing, real estate, restructuring, and value strategies

(f) This category includes, but is not limited to, equity securities and equity-related investments, purchase or provision of subordinated debt securities/loans, and mezzanine investments

(g) This category includes investments in cash, fixed income, and global equity securities

The following table presents information about the fair value of the QHS pension plan assets as of June 30, 2011, according to the valuation techniques QHS used to determine their fair values

Asset Category	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, primarily money market funds	$ 5,461	$ 69	$ -	$ 5,530
Mutual funds				
Fixed income	48,198	-	-	48,198
Domestic equities	9,339	-	-	9,339
Global equities	43,342	-	-	43,342
Real return	13,275	-	-	13,275
Tactical	11,754	-	-	11,754
Domestic equity securities	28,141	-	-	28,141
Real return, hedge funds, and private equity investments	-	4,847	42,548	47,395
Total	$159,510	$4,916	$42,548	$206,974

See Note 2 for the definition of the three levels within the fair value hierarchy and the methods and assumptions used to estimate the fair value of cash and cash equivalents, money market funds, mutual funds, and equity securities Real return, hedge funds, and private equity investments are valued at estimated fair values based on their proportionate share of the respective entities' fair value as recorded in the respective entities' financial statements

The table below presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (level 3) for the year ended June 30, 2011

Beginning balance — July 1, 2010	$43,329
Realized gains	2,115
Unrealized gains	2,418
Purchases, sales, and settlements	(5,314)
Ending balance — June 30, 2011	$42,548

7. COMPUTER OPERATIONS OUTSOURCING

QHS has a contract with Affiliated Computer Services, Inc (ACS) to outsource a substantial portion of its computer operations, which includes providing services to QHS and certain affiliates, as well as providing QMC with implementation services, hardware, software, and application support Under this agreement, ACS provides services as specified in the contract and the payments to ACS are expensed in purchased services In fiscal year 2010, QHS and ACS extended the service agreement that expires on November 30, 2012 Total QMC expenses under the contract in 2011 and 2010 were $10,007 and $9,374, respectively The contract provides for termination of the entire contract or portions of the contract under certain circumstances Should QHS terminate the agreement, QHS may be liable for early termination charges as calculated in the contract

Future payments at June 30, 2011, under the contract are as follows

Years Ending June 30	
2012	$10,318
2013	4,299
Total	$14,617

8. RELATED-PARTY TRANSACTIONS

Salaries, Wages, and Employee Benefits — QMC participates in a QHS-sponsored self-funded medical benefits plan covering substantially all of its employees QMC pays a monthly premium to QHS for its covered employees During the years ended June 30, 2011 and 2010, QMC expensed $29,718 and $23,599, respectively, related to this plan Outstanding receivables from QHS related to this plan were $1,036 and $781 as of June 30, 2011 and 2010, respectively Net patient revenues related to the plan were $11,209 and $9,852 for the years ended June 30, 2011 and 2010, respectively

QMC is a participant in a QHS-sponsored self-insured workers' compensation program Such expenses totaled $1,704 and $1,844 in the years ended June 30, 2011 and 2010, respectively Participants in the program are self-insured for losses up to $400 per occurrence Losses above this limit are insured with an independent excess carrier Actuarially determined estimates of incurred and incurred-but-not-reported losses have been accrued by QHS Participants in the plan are billed premiums by QHS for participation in the plan as determined by the actuary

Insurance and Other Allocated Costs from Affiliates — Allocated costs from affiliates primarily represent QMC's portion of insurance premiums and general and administrative expenses of QHS Such expenses totaled $13,304 and $13,317 in the years ended June 30, 2011 and 2010, respectively

QMC participates in the QHS self-insured program for its general and professional liability exposure This self-insured program is funded through QIE QMC's premium paid to QIE is based upon its proportionate share of the cost of the program Such expenses totaled $7,445 and $7,179 in the years ended June 30, 2011 and 2010, respectively QHS has excess general and professional insurance coverage through reinsurance agreements with unrelated insurers for amounts exceeding $2,000 per occurrence The reinsurance agreements do not relieve QHS from its obligations should the third-party reinsurers not be able to meet the obligations assumed under the reinsurance agreements

Other Revenue — QMC leases certain land to QDC under leases that expire in 2042 Under the terms of the lease agreements, QDC paid QMC lease rent of $1,987 and $1,938 in the years ended June 30, 2011 and 2010, respectively QDC also reserves for QMC certain portions of a parking garage for use by employees and pays all real property taxes

QDC purchases utilities, security, maintenance, and other administrative services from QMC Amounts received from QDC related to these services were $1,663 and $1,310 in the years ended June 30, 2011 and 2010, respectively

MGH purchased pharmacy-related services, other services, and supplies from QMC Amounts received from MGH related to these services were $648 and $665 in the years ended June 30, 2011 and 2010, respectively

QMC received from DLS, a 90% owned subsidiary of QDC, $777 and $1,156 for rent and other services provided in the years ended June 30, 2011 and 2010, respectively

Purchased Services — QMC leases office space and parking in three physicians' office buildings and a clinic owned by QDC Rents charged to QMC were $2,235 and $2,181 in the years ended June 30, 2011 and 2010, respectively

QMC and DLS have a laboratory service agreement under which QMC purchased $12,049 and $11,825 of clinical lab services in the years ended June 30, 2011 and 2010, respectively

QMC leases office space in a building owned by QEL Rents charged to QMC were $429 and $384 in the years ended June 30, 2011 and 2010, respectively

Queen Emma Land Company — QEL committed financial support towards QMC's operating expenses for the years ended June 30, 2011 and 2010 QEL also agreed to fund a portion of the operating expenses of the Queen Emma Clinic, the Behavioral Health program, the Nurse Education/Training program, the Queen's Conference Center, the Queen Emma Nursing Institute, and the Medical Residency Program

QMC recognized net assets released from restrictions on temporarily restricted fund balance transfers from QEL, offsetting portions of the operating expenses of the Queen Emma Clinic, the Behavioral Health program, the Nurse Education/Training program, the Queen's Conference Center, the Queen Emma Nursing Institute, and the Medical Residency Program as actual expenditures are incurred Net assets released from restrictions recognized from QEL amounted to $7,273 and $7,054 for the years ended June 30, 2011 and 2010, respectively

Total unspecified funding from QEL was $24,000 and $17,000 for the years ended June 30, 2011 and 2010, respectively, which were included in transfers from affiliates in other changes in unrestricted net assets

QEL transferred a $1,343 parcel of land and a $540 building to QMC in the year ended June 30, 2011 The assets were recorded at values that approximated fair value

Due from affiliates includes intercompany receivables, primarily for contributions payable by QMC to be funded by QEL

Queen's Development Corporation — Effective May 2011, QMC entered into an asset purchase agreement ("purchase agreement") with QDC, Radiology Associates, Inc (RAI) and various Hawaii limited liability companies associated with AccuImaging (AI), an imaging center located in Hawaii QDC and RAI were sole, equal partners in AI In connection with that purchase agreement, QMC acquired certain assets and assumed certain obligations, both with fair values of $3,769

9. COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, there were several legal actions pending against QMC that arose in the normal course of business The ultimate resolution of such actions cannot presently be determined There were also certain actions alleging malpractice These actions were covered under the QHS self-insurance program for general and professional liability exposure

In April 2009, QMC entered into a settlement agreement with various governmental agencies As part of the settlement agreement, QMC and the Office of the Inspector General (OIG) of the U S Department of Health and Human Services entered into a Corporate Integrity Agreement (CIA) to promote compliance with the statutes, regulations, and written directives of Medicare, Medicaid, and all other federal health care programs The CIA imposes a number of obligations on QMC, including additional compliance training, auditing, and periodic reporting to the OIG The term of the CIA is five years

QMC entered into an agreement with the University of Hawaii (UH) to help establish a clinical research partnership in the field of behavioral health The total commitment is $1,200 with a term ending in September 2012

QMC entered into a consortium membership agreement with UH and two other Hawaii hospital members to maintain and expand the level of cancer research and care in Hawaii The total commitment is $5,000 with a term ending in January 2015, which is renewable for additional five-year terms by written agreement of UH and at least two hospital members

QHS entered into an agreement with UH to help support of the university's Department of Native Hawaiian Health QMC, with QHS as its parent company, will participate in the funding of research, medical education, and community engagement initiates The total commitment is $2,186 with a term ending in June 2015

As of June 30, 2011, QMC had commitments to expand or renovate its facilities and for equipment purchases for approximately $19,342 QMC has a commitment to improve traffic congestion around the QMC facility based on conditions imposed by the City and County of Honolulu for their approval of the Plan Review Use and Special District Permits As of June 30, 2011, QMC had standby letters of credit in the amounts of $2,220 and $1,200 related to the aforementioned obligation that expire on September 10, 2011 and June 30, 2012, respectively

Future minimum rental payments due under noncancelable operating leases not previously mentioned at June 30, 2011, were as follows

Years Ending June 30	Affiliates	Nonaffiliates	Total
2012	$ 682	$ 1,237	$ 1,919
2013	639	796	1,435
2014	578	360	938
2015	473	366	839
2016	390	201	591
Thereafter	4,407	39	4,446
Total	$ 7,169	$ 2,999	$ 10,168

Rent expense for the years ended June 30, 2011 and 2010, under leases with nonaffiliates was approximately $969 and $950, respectively

QMC has collective bargaining agreements with the Hawaii Nurses Association and the Teamsters Union The Hawaii Nurses Association agreement expires in November 2011 and the Teamsters Union agreement expires in June 2013

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