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Form **990****Return of Organization Exempt From Income Tax**

OMB No 1545-0047

2010Department of the Treasury
Internal Revenue ServiceUnder section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung
benefit trust or private foundation)Open to Public
Inspection

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

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

MOLOKAI GENERAL HOSPITAL

Doing Business As

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

P.O. BOX 408

Room/suite

City or town, state or country, and ZIP + 4

KAUNAKAKAI, MOLOKAI, HI 96748

F Name and address of principal officer

RICHARD C. KEENE

1301 PUNCHBOWL STREET, HONOLULU, HI 96813

D Employer identification number

99-0251372

E Telephone number

(808) 553-3165

G Gross receipts \$ 12,121,251.**H(a)** Is this a group return for affiliates? ☐ Yes ☒ No**H(b)** Are all affiliates included? ☐ Yes ☐ No

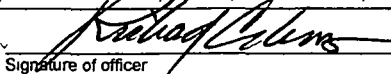
If "No," attach a list. (see instructions)

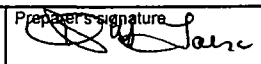
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀ (insert no) 4947(a)(1) or 527**J** Website: ▶ NONE**H(c)** Group exemption number ▶**K** Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶**L** Year of formation 1987 **M** State of legal domicile HI**Part I Summary**

Activities & Governance	1 Briefly describe the organization's mission or most significant activities	TO PROVIDE QUALITY HEALTHCARE SERVICES TO THE ISLAND OF MOLOKAI.			
	2 Check this box <input type="checkbox"/> 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	9.		
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	6.		
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	105.		
	6 Total number of volunteers (estimate if necessary)	6	124.		
	7a Total gross unrelated business revenue from Part VIII, column (C), line 12	7a	138,187.		
b Net unrelated business taxable income from Form 990-T, line 34	7b	-30,478.			
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	4,227,172.	Current Year	4,228,503.
	9 Program service revenue (Part VIII, line 2g)		7,073,753.		7,370,473.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)		30,747.		15,434.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 14e)		813,613.		506,841.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)		12,145,285.		12,121,251.
	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		0.		0.
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0.		0.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)		5,419,635.		5,769,055.
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0.		0.
	b Total fundraising expenses (Part IX, column (D), line 25)		0.		0.
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)		6,441,077.		6,400,710.
18 Total expenses - Add lines 13-17 (must equal Part IX, column (A), line 25)		11,860,712.		12,169,765.	
19 Revenue less expenses - Subtract line 18 from line 12		284,573.		-48,514.	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year	20,800,030.	End of Year	20,778,135.
	21 Total liabilities (Part X, line 26)		2,832,816.		2,684,188.
	22 Net assets or fund balances - Subtract line 21 from line 20		17,967,214.		18,093,947.

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		Date	5/14/12
	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 <input type="checkbox"/>	PTIN
	LORI K.S. TAIRA		MAY 09 2012		P00131363
	Firm's name ▶ DELOITTE TAX LLP	Firm's EIN ▶ 86-1065772	Phone no 808-543-0700		
Firm's address ▶ 1132 BISHOP STREET, SUITE 1200 HONOLULU, HI 96813					

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

For Paperwork Reduction Act Notice, see the separate instructions.

Form 990 (2010)

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Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response to any question in this Part III ☒**1** Briefly describe the organization's mission:

TO PROVIDE QUALITY HEALTHCARE SERVICES TO THE ISLAND OF MOLOKAI.

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 \$ 8,898,013. including grants of \$) (Revenue \$ 7,370,473.)

MOLOKAI GENERAL HOSPITAL ("MGH") IS A RURAL HEALTH CARE FACILITY WITH A CRITICAL ACCESS HOSPITAL DESIGNATION. IT PROVIDES THE ONLY EMERGENCY ROOM SERVICES FOR RESIDENTS AND VISITORS ON THE ISLAND OF MOLOKAI, AND PROVIDES ACUTE CARE, INPATIENT HOSPICE, SKILLED NURSING AND LOW-RISK OBSTETRICAL SERVICES. MGH ALSO OFFERS CHEMOTHERAPY, LIMITED SPECIAL PROCEDURES, DIABETES MANAGEMENT, PREVENTIVE HEALTH, HIGH-RISK WEIGHT MANAGEMENT, COMPASSIONATE CARE/HOSPICE SERVICES, MIDWIFERY, FAMILY PLANNING AND PRIMARY CARE IN ITS RURAL HEALTH CLINIC.

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

TO SUPPORT MGH'S MISSION AND TO FULFILL ITS TAX EXEMPT PURPOSE AS A CHARITABLE HOSPITAL, MGH PROVIDED COMMUNITY BENEFITS TOTALING APPROXIMATELY \$2.7M FOR THE YEAR ENDED JUNE 30, 2011. SEE LINE 4C FOR A DETAILED EXPLANATION.

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

ATTACHMENT 1

4d Other program services (Describe in Schedule O.)

(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses ▶ 8,898,013.

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 X	
2 Is the organization required to complete Schedule B, Schedule of Contributors? (see instructions)	2 X	
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	X
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 X	
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	X
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	X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	8	X
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	X
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	X
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, line 10? If "Yes," complete Schedule D, Part VI	11a X	
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	X
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	X
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	X
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	11e X	
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 X	
12 a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII	12a	X
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 X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	X
14 a Did the organization maintain an office, employees, or agents outside of the United States?	14a	X
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	X
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 United States? If "Yes," complete Schedule F, Parts II and IV	15	X
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 United States? If "Yes," complete Schedule F, Parts III and IV	16	X
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	X
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	X
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	X
20 a Did the organization operate one or more hospitals? If "Yes," complete Schedule H	20a X	
b If "Yes" to line 20a, did the organization attach its audited financial statements to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b X	

Part IV Checklist of Required Schedules (continued)

	Yes	No
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	X
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	X
23 Did the organization answer "Yes" to Part VII, Section A, line 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	X
24 a 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 through 24d and complete Schedule K. If "No," go to line 25.	24a	X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	
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	
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d	
25 a 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	X
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	X
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	X
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	X
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	X
b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV.	28b	X
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	X
29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M.	29	X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M.	30	X
31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I.	31	X
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	X
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	X
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	X
35 Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	X
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. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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	X
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	X
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	X

Form 990 (2010)

Part V Statements Regarding Other IRS Filings and Tax ComplianceCheck 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 37		
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	X	
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 105		
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b	X	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	X	
b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	X	
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		X
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		X
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		X
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		X
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		X
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 8882?	7c		X
d If "Yes," indicate the number of Forms 8882 filed during the year	7d		
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		X
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		X
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		X
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 line 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 ☒ X

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 9	
b Enter the number of voting members included in line 1a, above, who are independent	1b 6	
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	X
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	X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5	X
6 Does the organization have members or stockholders?	6 X	
7a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a X	
b Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b X	
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following.		
a The governing body?	8a X	
b Each committee with authority to act on behalf of the governing body?	8b X	
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	X

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	X
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 X	
b Describe in Schedule O the process, if any, used by the organization to review this Form 990	12a X	
12a Does the organization have a written conflict of interest policy? If "No," go to line 13	12b X	
b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12c X	
c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	13 X	
13 Does the organization have a written whistleblower policy?	14 X	
14 Does the organization have a written document retention and destruction policy?		
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?	15a X	
a The organization's CEO, Executive Director, or top management official	15b X	
b Other officers or key employees of the organization		
If "Yes" to line 15a or 15b, describe the process in Schedule O. (See instructions)	16a	X
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?	16b	
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?		

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Forms 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.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶ JESSICA APIKI P.O. BOX 408 KAUNAKAKAI, MOLOKAI, HI 96748
808-553-3125

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck 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. 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) NEIL J. HANNAHS TRUSTEE	1.00	X								
(2) NALEEN ANDRADE, M.D. TRUSTEE	1.00	X								
(3) STEPHEN PETRO TRUSTEE	1.00	X								
(4) LANCE DUNBAR TRUSTEE/VICE CHAIR	1.00	X		X						
(5) ARTHUR A. USHIJIMA CHAIR/TRUSTEE	65.00	X		X				0.	884,694.	422,887.
(6) PAUL STEVENS, M.D. TRUSTEE	1.00	X								
(7) JUDY EGUSA TRUSTEE	1.00	X								
(8) SANDRA BRAZZEL, M.D. COS/TRUSTEE	60.00	X						154,346.	0	23,552.
(9) PUNAHELE ALCON ADMIN. ASSIST. & SECRETARY	40.00			X				71,480.	0	12,622.
(10) JANICE KALANIHUIA PRESIDENT	55.00			X				206,804.	0	48,621.
(11) RANDY LITE VICE PRESIDENT	55.00			X				92,657.	0	21,635.
(12) RICHARD C. KEENE TREASURER	55.00			X				0.	462,823.	60,974.
(13) WILLIAM L. THOMAS JR., M.D. INTERNAL MEDICINE	55.00					X		252,201.	0	27,025.
(14) DINO FONTES DIRECTOR OF NURSING	40.00					X		152,436.	0	18,460.
(15)										
(16)										

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)										
(18)										
(19)										
(20)										
(21)										
(22)										
(23)										
(24)										
(25)										
(26)										
(27)										
(28)										
1b Sub-total								929,924.	1,347,517.	635,776.
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								929,924.	1,347,517.	635,776.

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 **4**

- 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
- 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
- 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

	Yes	No
3		X
4	X	
5		X

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
ATTACHMENT 2		
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	2	

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				
	d	Related organizations	1d	1,784,564			
	e	Government grants (contributions)	1e	2,362,439			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	81,500			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		4,228,503			
Program Service Revenue	2a	PATIENT SERVICE REVENUES	Business Code 623000	7,370,473	7,370,473		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		7,370,473			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		12,100		
4		Income from investment of tax-exempt bond proceeds		0			
5		Royalties		0			
		(i) Real	(ii) Personal				
6a		Gross Rents	179,134				
b		Less rental expenses					
c		Rental income or (loss)	179,134				
d		Net rental income or (loss)		179,134			179,134
		(i) Securities	(ii) Other				
7a		Gross amount from sales of assets other than inventory	2,177	1,157			
b		Less: cost or other basis and sales expenses					
c		Gain or (loss)	2,177	1,157			
d		Net gain or (loss)		3,334			3,334
8a		Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18	a				
b		Less direct expenses	b				
c		Net income or (loss) from fundraising events		0			
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	CAFETERIA REVENUE	624200	62,459			62,459	
b	MEALS ON WHEELS	624200	83,873		83,873		
c	ALU LIKE PROGRAM	624200	54,314		54,314		
d	All other revenue		127,061			127,061	
e	Total. Add lines 11a-11d		327,707				
12	Total revenue. See instructions		12,121,251	7,370,473	138,187	384,088	

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 . . .	0.			
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	525,287.	154,346.	370,941.	
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	3,957,808.	2,855,956.	1,101,852.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	269,643.	201,814.	67,829.	
9 Other employee benefits	725,740.	443,978.	281,762.	
10 Payroll taxes	290,577.	190,073.	100,504.	
11 Fees for services (non-employees):				
a Management	26,242.		26,242.	
b Legal	46,749.		46,749.	
c Accounting	43,936.		43,936.	
d Lobbying	1,496.		1,496.	
e Professional fundraising services See Part IV, line 17	0.			
f Investment management fees	0.			
g Other	0.			
12 Advertising and promotion	22,955.	13,660.	9,295.	
13 Office expenses	366,574.	284,943.	81,631.	
14 Information technology	46,256.		46,256.	
15 Royalties	0.			
16 Occupancy	401,501.	80,377.	321,124.	
17 Travel	110,105.	81,930.	28,175.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0.			
19 Conferences, conventions, and meetings	7,404.	310.	7,094.	
20 Interest	116.		116.	
21 Payments to affiliates	0.			
22 Depreciation, depletion, and amortization	1,155,233.	1,117,374.	37,859.	
23 Insurance	0.			
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 <u>BAD DEBT EXPENSE</u>	507,538.	507,538.		
b <u>OTHER PROFESSIONAL FEES</u>	778,177.	778,177.		
c <u>GRANT EXPENSES</u>	105,018.	105,018.		
d <u>POSTAGE AND FREIGHT</u>	35,063.	35,063.		
e <u>PURCHASED SERVICES-AFFILIATE</u>	2,216,746.	1,533,173.	683,573.	
f All other expenses	529,601.	514,283.	15,318.	
25 Total functional expenses. Add lines 1 through 24f	12,169,765.	8,898,013.	3,271,752.	
26 Joint Costs. Check here <input type="checkbox"/> 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	500.	1	700.
	2 Savings and temporary cash investments	4,843,295.	2	3,195,754.
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	1,455,930.	4	911,269.
	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)		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	115,317.	8	110,195.
	9 Prepaid expenses and deferred charges	71,821.	9	78,658.
	10 a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 22,486,560.		
	b Less: accumulated depreciation	10b 9,065,234.		
		14,238,167.	10c	13,421,326.
	11 Investments - publicly traded securities	75,000.	11	3,060,233.
	12 Investments - other securities. See Part IV, line 11		12	
	13 Investments - program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
15 Other assets. See Part IV, line 11		15		
16 Total assets. Add lines 1 through 15 (must equal line 34)	20,800,030.	16	20,778,135.	
Liabilities	17 Accounts payable and accrued expenses	1,008,551.	17	805,158.
	18 Grants payable		18	
	19 Deferred revenue	46,694.	19	8,712.
	20 Tax-exempt bond liabilities		20	
	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	
	25 Other liabilities. Complete Part X of Schedule D	1,777,571.	25	1,870,318.
	26 Total liabilities. Add lines 17 through 25	2,832,816.	26	2,684,188.
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	17,967,214.	27	18,093,947.
	28 Temporarily restricted net assets		28	
	29 Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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	17,967,214.	33	18,093,947.
34 Total liabilities and net assets/fund balances	20,800,030.	34	20,778,135.	

Form 990 (2010)

Part XI Reconciliation of Net AssetsCheck 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	12,121,251.
2	Total expenses (must equal Part IX, column (A), line 25)	2	12,169,765.
3	Revenue less expenses. Subtract line 2 from line 1	3	-48,514.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	17,967,214.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	175,247.
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	18,093,947.

Part XII Financial Statements and ReportingCheck if Schedule O contains a response to any question in this Part XII ☐

	Yes	No
1 Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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?		X
b Were the organization's financial statements audited by an independent accountant?	X	
c If "Yes" to line 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.	X	
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: <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate 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?	X	
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	X	

Form **990** (2010)

SCHEDULE A
(Form 990 or 990-EZ)

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

MOLOKAI GENERAL HOSPITAL

Employer identification number

99-0251372

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?
- (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 supported organization? ☐
- (ii) A family member of a person described in (i) above? ☐
- (iii) A 35% controlled entity of a person described in (i) or (ii) above? ☐
- 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?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2010

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 section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

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 from 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		<input type="checkbox"/>
b 33 1/3 % support test - 2009. If the organization did not check a 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		<input type="checkbox"/>
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		<input type="checkbox"/>
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		<input type="checkbox"/>
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		<input type="checkbox"/>

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 section 501(c)(3) organization, check this box and stop here ► <input type="checkbox"/>						

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

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

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If the organization answered "Yes," to Form 990, Part IV, line 3, or Form 990-EZ, Part VI, 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 organization MOLOKAI GENERAL HOSPITAL	Employer identification number 99-0251372
---	---

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 on behalf of or in opposition to candidates for public office 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 function 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 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-
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule C (Form 990 or 990-EZ) 2010

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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												
1 a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1"> <thead> <tr> <th>If the amount on line 1e, column (a) or (b) is:</th> <th>The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>		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		
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														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
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-														
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
2 a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Schedule C (Form 990 or 990-EZ) 2010

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)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	X		
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?	X		1,496.
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities? If "Yes," describe in Part IV		X	
j Total Add lines 1c through 1i			1,496.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
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) nondeductible 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.

Part IV Supplemental Information *(continued)*

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2010

Open to Public
Inspection

► 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.

Department of the Treasury
Internal Revenue Service

Name of the organization
MOLOKAI GENERAL HOSPITAL

Employer identification number
99-0251372

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?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can 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?		<input type="checkbox"/> Yes <input type="checkbox"/> 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)

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education)	<input type="checkbox"/> Preservation of an historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of a certified historic structure
<input type="checkbox"/> Preservation of open space	

2 Complete lines 2a through 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 Tax 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, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 (ASC 958), 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 (ASC 958), 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 (ASC 958) relating to these items:

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

b Assets included in Form 990, Part X ► \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule D (Form 990) 2010

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

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

☐

Public exhibition

☐

Loan or exchange programs

☐

Scholarly research

☐

Other

☐

Preservation for future generations

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 XI V 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 XI V.

Part V Endowment Funds. Complete if 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					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

a Board designated or quasi-endowment ▶ _____ %

b Permanent endowment ▶ _____ %

c Term endowment ▶ _____ %

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

(i) unrelated organizations

(ii) related organizations

	Yes	No
3a(i)		
3a(ii)		
3b		

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

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

Part VI 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				
b Buildings		17,212,954.	5,481,892.	11,731,062.
c Leasehold improvements				
d Equipment		4,844,212.	3,396,149.	1,448,063.
e Other		429,394.	187,193.	242,201.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c))				13,421,326.

Schedule D (Form 990) 2010

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Column (b) must equal Form 990, Part X, col (B) line 12.) ▶		

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
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Column (b) must 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)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 15.) ▶	

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

1. (a) Description of liability	(b) Amount
(1) Federal income taxes	
(2) DUE TO QUEEN'S MEDICAL CENTER	69,459.
(3) DUE TO QUEEN'S HEALTH SYSTEMS	243,173.
(4) OTHER LIABILITIES	619,729.
(5) DUE TO QIE	56,190.
(6) DUE TO GOV'T REIMB. PROG.	881,767.
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 25.) ▶	

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 (ASC 740).

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	12,121,251.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	12,169,765.
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-48,514.
4	Net unrealized gains (losses) on investments	4	-19,851.
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	195,100.
9	Total adjustments (net). Add lines 4 through 8	9	175,249.
10	Excess or (deficit) for the year per audited financial statements Combine lines 3 and 9	10	126,735.

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	10,273,811.
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	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	10,273,811.
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	1,847,440.
c	Add lines 4a and 4b	4c	1,847,440.
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	12,121,251.

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

1	Total expenses and losses per audited financial statements	1	12,169,765.
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	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	12,169,765.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV.)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	12,169,765.

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, line 2, 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.

SEE PAGE 5

Part XIV Supplemental Information (continued)

RECONCILIATION OF CHANGE IN NET ASSETS

SCHEDULE D PART XI, LINE 8

MINIMUM PENSION LIABILITY ADJUSTMENT 195,100

REVENUE BOOK TO TAX RECONCILIATION

SCHEDULE D, PART XII, LINE 4B

INVESTMENT INCOME 9,194

TRANSFERS FROM AFFILIATES 1,784,564

GAIN ON SALE OF PROPERTY 1,157

OTHER NON-OPERATING INCOME 50,000

REALIZED GAINS - CIF 2,177

INVESTMENT INCOME - CIF 2,906

OTHER ADJUSTMENTS -2,558

1,847,440

ASC 740

SCHEDULE D, PART X, LINE 2

QHS EVALUATES ITS UNCERTAIN TAX POSITIONS AND HAS NO MATERIAL

UNRECOGNIZED TAX BENEFITS AS OF JUNE 30, 2011.

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization

Employer identification number

MOLOKAI GENERAL HOSPITAL

99-0251372

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	<input checked="" type="checkbox"/>	
b If "Yes," was it a written policy?	<input checked="" type="checkbox"/>	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year		
<input type="checkbox"/> Applied uniformly to all hospital facilities		
<input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year		
a Did 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 was the FPG family income limit for eligibility for free care	<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
b Did the organization use FPG to determine eligibility for providing discounted care to low income individuals? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care.	<input checked="" type="checkbox"/>	
<input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
c If the organization did 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 used 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"?	<input checked="" type="checkbox"/>	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		
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 eligible for free or discounted care?		<input checked="" type="checkbox"/>
6a Did the organization prepare a community benefit report during the tax year?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization make it available to the public?	<input checked="" type="checkbox"/>	

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)			89,501.	23,768.	65,733.	.56
b Unreimbursed Medicaid (from Worksheet 3, column a)			3,644,464.	1,714,908.	1,929,556.	16.55
c Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			3,733,965.	1,738,676.	1,995,289.	17.11
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			37,223.		37,223.	.32
f Health professions education (from Worksheet 5)			26,014.		26,014.	.22
g Subsidized health services (from Worksheet 6)			436,786.	340,786.	96,000.	.83
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			46,000.		46,000.	.39
j Total Other Benefits			546,023.	340,786.	205,237.	1.76
k Total Add lines 7d and 7j			4,279,988.	2,079,462.	2,200,526.	18.87

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule H (Form 990) 2010

Part II Community Building Activities Complete this table if the organization conducted any 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						
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						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

	Yes	No
1 Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1 X	
2 Enter the amount of the organization's bad debt expense (at cost)	2 507,538.	
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	3 492,312.	
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 in community benefit		

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5 1,977,490.
6 Enter Medicare allowable costs of care relating to payments on line 5	6 1,942,252.
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7 35,238.

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 during the tax year?	9a X	
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b X	

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				
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

1 MOLOKAI GENERAL HOSPITAL
280 HOMEOLU STREET
KAUNAKAKAI HI 96748

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

Licensed hospital

General medical & surgical

Children's hospital

Teaching hospital

Critical access hospital

Research facility

ER-24 hours

ER-other

Other (describe)

X

X

X

X

Part V Facility Information (continued)**Section B. Facility Policies and Practices**

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A.)

Name of Hospital Facility: MOLOKAI GENERAL HOSPITALLine Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1	During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment (Needs Assessment)? If "No," skip to line 8. If "Yes," indicate what the Needs Assessment describes (check all that apply):	1	
a	<input type="checkbox"/> A definition of the community served by the hospital facility		
b	<input type="checkbox"/> Demographics of the community		
c	<input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input type="checkbox"/> How data was obtained		
e	<input type="checkbox"/> The health needs of the community		
f	<input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess all of the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a Needs Assessment: 20 <u> </u>		
3	In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4	Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5	Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply):	5	
a	<input type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply):		
a	<input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide community benefit plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide community benefit plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the Needs Assessment		
g	<input type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
8	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals? If "Yes," indicate the FPG family income limit for eligibility for free care: <u> </u> %	9	

Part V Facility Information (continued) MOLOKAI GENERAL HOSPITAL

	Yes	No
10 Used FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate the FPG family income limit for eligibility for discounted care: _ _ _ %	10	
11 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply):	11	
a <input type="checkbox"/> Income level		
b <input type="checkbox"/> Asset level		
c <input type="checkbox"/> Medical indigency		
d <input type="checkbox"/> Insurance status		
e <input type="checkbox"/> Uninsured discount		
f <input type="checkbox"/> Medicaid/Medicare		
g <input type="checkbox"/> State regulation		
h <input type="checkbox"/> Other (describe in Part VI)		
12 Explained the method for applying for financial assistance?	12	
13 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply):	13	
a <input type="checkbox"/> The policy was posted on the hospital facility's website		
b <input type="checkbox"/> The policy was attached to billing invoices		
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f <input type="checkbox"/> The policy was available on request		
g <input type="checkbox"/> Other (describe in Part VI)		

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14	
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year		
a <input type="checkbox"/> Reporting to credit agency		
b <input type="checkbox"/> Lawsuits		
c <input type="checkbox"/> Liens on residences		
d <input type="checkbox"/> Body attachments		
e <input type="checkbox"/> Other actions (describe in Part VI)		
16 Did the hospital facility engage in or authorize a third party to perform any of the following collection actions during the tax year? If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply):	16	
a <input type="checkbox"/> Reporting to credit agency		
b <input type="checkbox"/> Lawsuits		
c <input type="checkbox"/> Liens on residences		
d <input type="checkbox"/> Body attachments		
e <input type="checkbox"/> Other actions (describe in Part VI)		
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in line 16 (check all that apply).		
a <input type="checkbox"/> Notified patients of the financial assistance policy on admission		
b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge		
c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills		
d <input type="checkbox"/> Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance		
e <input type="checkbox"/> Other (describe in Part VI)		

Part V Facility Information (continued) MOLOKAI GENERAL HOSPITAL**Policy Relating to Emergency Medical Care**

- 18** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate the reasons why (check all that apply):

- a** ☐ The hospital facility did not provide care for any emergency medical conditions
- b** ☐ The hospital facility did not have a policy relating to emergency medical care
- c** ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** ☐ Other (describe in Part VI)

	Yes	No
18		
a		
b		
c		
d		

Charges for Medical Care

- 19** Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply).

- a** ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility
- b** ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility
- c** ☐ The hospital facility used the Medicare rate for those services
- d** ☐ Other (describe in Part VI)

	Yes	No
19		
a		
b		
c		
d		

- 20** Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI.

- 21** Did the hospital facility charge any of its patients an amount equal to the gross charge for any service provided to that patient?

If "Yes," explain in Part VI

	Yes	No
20		
21		

Schedule H (Form 990) 2010

Part V Facility Information (continued)**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	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Schedule H (Form 990) 2010

Part VI Supplemental Information

Complete this part to provide the following information.

- 1 Required descriptions.** Provide the descriptions 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 hospitals 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.

PART I, LINE 3C

N/A

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 MOLOKAI GENERAL HOSPITAL. THIS REPORT IS PUBLISHED
PERIODICALLY AND IS SEPARATELY AVAILABLE TO THE PUBLIC.

PART I, LINE 7, COLUMN F

BAD DEBT EXPENSES OF \$507,538 WAS EXCLUDED FOR THE CALCULATION OF THE NET
COMMUNITY BENEFIT PERCENTAGE IN PART I, LINE 7, COLUMN F.

PART I, LINE 7

COSTING METHODOLOGY INLCUDES ALL PATIENT SEGMENTS. COST TO CHARGE RATIO
DERIVED FROM FISCAL YEAR ENDED JUNE 30, 2011 COST REPORT OF .988%.

Part VI Supplemental Information

Complete this part to provide the following information.

- 1 Required descriptions.** Provide the descriptions 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 hospitals 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

PART III, LINE 4

MGH 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. MGH
ESTIMATES THE ALLOWANCE BASED ON THE AGING OF THE ACCOUNTS RECEIVABLE,
HISTORICAL COLLECTION EXPERIENCE BY PAYOR, AND OTHER RELEVANT FACTORS.

PART III, LINE 8

MGH IS THE ISLAND'S ONLY HOSPITAL, PROVIDING 24 HOUR SERVICE TO THE
GENERAL PUBLIC. MEDICARE ALLOWABLE COST BASED ON RATIO OF TOTAL PATIENT
REVENUES TO TOTAL PATIENT COSTS CALCULATED BY COST CENTERS.

PART III, LINE 9B

MGH PROVIDES FULL OR PARTIAL DISCOUNTS FOR ELIGIBLE PATIENTS WHO ARE
KNOWN TO QUALIFY FOR CHARITY CARE OR FINANCIAL ASSISTANCE. ELIGIBILITY
CONTINUES FOR 6 MONTHS OR UPON CHANGE IN PATIENT'S INCOME AND ASSETS PER
GUIDELINES. PATIENTS MAY RECERTIFY EVERY SIX MONTHS.

Part VI Supplemental Information

Complete this part to provide the following information.

- 1 Required descriptions.** Provide the descriptions 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 hospitals 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.

PART V

N/A

NEEDS ASSESSMENT

EVALUATION AND SURVEYS ARE COMPLETED AS NEEDED BY COST CENTERS OR
DEPARTMENTS.

PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE

MGH HAS AN ON-STAFF SOCIAL WORKER WHO ASSISTS PATIENTS AND THEIR FAMILIES
BY PROVIDING EDUCATION AND ASSISTANCE IN APPLYING FOR ASSISTANCE UNDER
FEDERAL, STATE AND LOCAL PROGRAMS, INCLUDING MGH'S CHARITY CARE POLICY.
ADDITIONALLY, THE REGISTRATION STAFF AND BUSINESS OFFICE STAFF PROVIDE
WRITTEN AND VERBAL INFORMATION REGARDING THE HOSPITAL'S CHARITY CARE
POLICIES DURING INTAKE AND DISCHARGE.

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the descriptions 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 hospitals 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

COMMUNITY INFORMATION

MGH, PART OF THE QUEEN'S HEALTH SYSTEMS, IS THE ONLY HOSPITAL ON THE
 ISLAND OF MOLOKA'I, PROVIDING 24-HOUR HEALTH CARE SERVICES FOR A
 POPULATION OF 7,400. MOLOKAI IS DESIGNATED AS A HEALTH PROFESSIONAL
 SHORTAGE AREA IN PRIMARY CARE, DENTAL, AND MENTAL HEALTH SERVICES.
 ADDITIONALLY, THE ISLAND IS LISTED AS A FEDERAL MEDICALLY UNDER-SERVED
 AREA (MUA). THE AVERAGE HOUSEHOLD INCOME IS \$46,000 WITH 63% OF THE
 POPULATION REPORTING THEY ARE OF NATIVE HAWAIIAN ANCESTRY (MULTIPLE RACE)
 IN 2010. ON AVERAGE, THIRTY PERCENT (30%) OF FAMILY HOUSEHOLDS REPORT
 RECEIVING SOME KIND OF GOVERNMENT ASSISTANCE. MGH SPONSORS AN ANNUAL
 HEALTH FAIR(S) AND OTHER HEALTH-RELATED EVENTS FOR THE COMMUNITY'S
 BENEFIT. MGH PROVIDES FREE FLU CLINICS IN AREAS OUTSIDE OF THE MAIN TOWN.
 MGH EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE
 COMMUNITY AND IS DESIGNATED AS A CRITICAL ACCESS HOSPITAL (CAH).

Part VI Supplemental Information

Complete this part to provide the following information.

- 1 **Required descriptions.** Provide the descriptions 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 hospitals 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.

PROMOTION OF COMMUNITY HEALTH

SEE EXPLANATION OF "COMMUNITY INFORMATION"

AFFILIATED HEALTH CARE SYSTEM

SEE EXPLANATION OF "COMMUNITY INFORMATION"

STATE FILING OF COMMUNITY BENEFIT REPORT

N/A

**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, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

**Open to Public
Inspection**

Name of the organization

MOLOKAI GENERAL HOSPITAL

Employer identification number

99-0251372

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

	Yes	No
1b		
2		
3		
4a		X
4b	X	
4c		X
5a		X
5b		X
6a	X	
6b	X	
7		X
8		X
9		

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?

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.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input checked="" type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> 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?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only section 501(c)(3) and 501(c)(4) organizations 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?
- b** Any related organization?
- 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?
- b** Any related organization?
- 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

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2010

Part III 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 JANICE KALANIHIUIA	(i) 159,877. (ii) 0.	27,540. 0.	19,387. 0.	26,200. 0.	22,421. 0.	255,425. 0.	
2 RICHARD C. KEENE	(i) 384,491. (ii) 0.	58,461. 0.	19,871. 0.	23,662. 0.	37,312. 0.	523,797. 0.	
3 ARTHUR A. USHIJIMA	(i) 616,935. (ii) 0.	165,532. 0.	102,227. 0.	358,148. 0.	64,739. 0.	1,307,581. 0.	
4 WILLIAM L. THOMAS JR., M	(i) 206,919. (ii) 0.	0. 0.	45,282. 0.	20,167. 0.	6,858. 0.	279,226. 0.	
5 SANDRA BRAZZEL, M.D.	(i) 135,588. (ii) 0.	0. 0.	18,758. 0.	14,757. 0.	8,795. 0.	177,898. 0.	
6 DINO FONTES	(i) 104,777. (ii) 0.	5,400. 0.	42,259. 0.	5,472. 0.	12,988. 0.	170,896. 0.	
7	(i) (ii)	 	 	 	 	 	
8	(i) (ii)	 	 	 	 	 	
9	(i) (ii)	 	 	 	 	 	
10	(i) (ii)	 	 	 	 	 	
11	(i) (ii)	 	 	 	 	 	
12	(i) (ii)	 	 	 	 	 	
13	(i) (ii)	 	 	 	 	 	
14	(i) (ii)	 	 	 	 	 	
15	(i) (ii)	 	 	 	 	 	
16	(i) (ii)	 	 	 	 	 	

Schedule J (Form 990) 2010

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.

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.

JANICE KALANIHIUIA

FORM 990 PART VII

JANICE KALANIHIUIA AVERAGE HOURS PER WEEK:

54 HRS PER WEEK - MGH PRESIDENT

55 HRS PER WEEK - QHS & AFFILIATES

MS. KALANIHIUIA SERVES AS VP FOR THE QUEEN'S HEALTH SYSTEMS (PARENT

COMPANY) AND PRESIDENT OF MGH. SHE IS NOT SEPARATELY COMPENSATED FOR

THESE VARIOUS SERVICES. THE COMPENSATION LISTED ON FORM 990 PART VII IS

HER TOTAL COMPENSATION FOR HER VARIOUS SERVICES, AND THE HOURS LISTED ON

FORM 990 PART VII ARE HER HOURS FOR HER QHS ROLES (PARENT COMPANY ONLY)

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.

AND ALSO ALL AFFILIATES COMBINED.

RICHARD C. KEENE

FORM 990 PART VII

RICHARD C. KEENE AVERAGE HOURS PER WEEK:

2 HRS PER WEEK - MGH TREASURER

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 HIS SERVICES.

ARTHUR A. USHIJIMA

FORM 990 PART VII

ARTHUR A USHIJIMA AVERAGE HOURS PER WEEK:

1 HOUR PER WEEK - MGH TRUSTEE

65 HRS PER WEEK - QHS & AFFILIATES

MR. USHIJIMA SERVES AS A TRUSTEE FOR THE QUEEN'S HEALTH SYSTEMS AND

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.

SEVERAL OTHER QUEEN'S RELATED AFFILIATES. HE IS A VOLUNTEER TRUSTEE AND IS NOT COMPENSATED FOR THESE SERVICES. HIS HOURS SERVED AS A TRUSTEE FOR MGH IS 1 HR PER WEEK. MR. USHIJIMA ALSO SERVES AS PRESIDENT & CHIEF EXECUTIVE OFFICER OF THE QUEEN'S HEALTH SYSTEMS (PARENT COMPANY) AND AS THE PRESIDENT OF QMC. THE COMPENSATION LISTED ON FORM 990 PART VII IS HIS TOTAL COMPENSATION FOR HIS VARIOUS SERVICES.

SANDRA BRAZZEL, M.D.

FORM 990 PART VII

DR. BRAZZEL SERVES AS A TRUSTEE FOR MOLOKAI GENERAL HOSPITAL (1 HOUR PER WEEK). SHE IS A VOLUNTEER TRUSTEE AND IS NOT COMPENSATED FOR THESE SERVICES. DR. BRAZZEL'S COMPENSATION IS FOR HER SERVICES AS THE CHIEF OF STAFF AT THE MOLOKAI GENERAL HOSPITAL.

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.

SUPPLEMENTAL NON-QUALIFIED DEFERRED COMPENSATION PLAN**SCHEDULE J PART I LINE 4B**

THE FOLLOWING INDIVIDUALS RECEIVED SUPPLEMENTAL NON-QUALIFIED DEFERRED

COMPENSATION PLAN BENEFITS FROM MGH AND RELATED ORGANIZATIONS IN 2010:

ARTHUR A. USHIJIMA - \$279,617

RICHARD C. KEENE - \$5,899

COMPENSATION CONTINGENT ON THE NET EARNINGS**SCHEDULE J PART I LINE 6A & 6B**

RECOGNITION AWARDS WERE PAID TO ALL EMPLOYEES BASED ON ACCOMPLISHMENTS OF

PREDETERMINED GOALS AND OBJECTIVES SET FORTH IN THE INCENTIVE AND

STRATEGIC PLANS AND DEFINED ELIGIBILITY OF THE EMPLOYEE. RECOGNITION

AWARDS ARE DISCRETIONARY AND CONSIDER QUALITY THRESHOLDS WHICH INCLUDE

ANNUAL ACCREDITATION AND MINIMUM OPERATING INCOME LEVEL CRITERIA. IN

ADDITION, EXECUTIVE AWARDS ARE WEIGHTED BASED ON INDIVIDUAL GOALS

ESTABLISHED FOR EACH EXECUTIVE. THE FOLLOWING INDIVIDUALS RECEIVED

RECOGNITION AWARD PAYMENTS FROM MGH AND RELATED ORGANIZATIONS IN 2010:

JANICE KALANIHIUA - \$27,540

RICHARD C. KEENE - \$58,461

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.

RANDY LITE - \$2,700

PUNAHELE ALCON - \$1,500

DINO FONTES - \$5,400.

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Name of the organization

MOLOKAI GENERAL HOSPITAL

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

**Open to Public
Inspection**

Employer identification number

99-0251372

FORM 990, PT VI, SECTION A, LINE 7A

MGH 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 MGH BOARD OF TRUSTEES.

FORM 990, PT VI, SECTION A, LINE 7B

CERTAIN MAJOR DECISIONS APPROVED BY THE MGH 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 \$1,000,000 FOR MGH.

Name of the organization

MOLOKAI GENERAL HOSPITAL

Employer identification number

99-0251372

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.

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

Name of the organization

MOLOKAI GENERAL HOSPITAL

Employer identification number

99-0251372

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.

FORM 990, PT VI, SECTION B, LINE 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.

FORM 990 PT VI, SECTION C, LINE 19

MGH'S GOVERNING DOCUMENTS ARE AVAILABLE UPON REQUEST. MGH DOES NOT MAKE ITS CONFLICT OF INTEREST POLICY OR FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC.

FORM 990, PT XI, LINE 5

MINIMUM PERSON LIABILITY ADJUSTMENT	195,100
UNREALIZED LOSSES ON INVESTMENTS	-19,851
ROUNDING	-2

Name of the organization

MOLOKAI GENERAL HOSPITAL

Employer identification number

99-0251372

175,247
-----ATTACHMENT 1FORM 990, PART III - PROGRAM SERVICE, LINE 4C

MGH PROVIDED APPROXIMATELY \$2.7M OF COMMUNITY BENEFITS, IN SUPPORT OF ITS MISSION AS A TAX-EXEMPT CHARITABLE HOSPITAL.

1.UNCOMPENSATED CARE - MGH 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 \$65,733 AND \$507,538 RESPECTIVELY.

2.WOMEN'S HEALTH CLINIC MGH PROVIDES OUTPATIENT SERVICES TO INDIGENT PATIENTS AND OTHERS THROUGH THE WOMEN'S HEALTH CLINIC. SERVICES INCLUDE PERINATAL, OBSTETRICIAN AND MIDWIFERY. THE LOSSES FROM CLINIC OPERATIONS WERE APPROXIMATELY \$96,000 FOR THE YEAR ENDED JUNE 30, 2011.

3.HEALTH AND WELLNESS EDUCATION - MGH PROVIDES HEALTH AND WELLNESS EDUCATION TO THE COMMUNITY IN AN EFFORT TO PROMOTE HEALTHY LIFESTYLES. FOR THE YEAR ENDED JUNE 30, 2011, LOSSES RELATED TO PROVIDING HEALTH AND WELLNESS EDUCATION WERE \$37,233.

4. ASSISTANCE TO OTHER CHARITABLE ORGANIZATIONS. MGH PROVIDES ASSISTANCE TO OTHER CHARITABLE ORGANIZATIONS. DURING THE YEAR

Name of the organization

MOLOKAI GENERAL HOSPITAL

Employer identification number

99-0251372

ATTACHMENT 1 (CONT'D)

ENDED JUNE 30, 2011, MGH PROVIDED RENT FREE USE OF SPACE TO A CHARITABLE HOSPICE SERVICES ORGANIZATION. THE FAIR MARKET VALUE FOR THE USE OF THIS SPACE WAS \$46,000.

5.MEDICAID SHORTFALL IN PAYMENTS - MGH PROVIDES INPATIENT AND OUTPATIENT SERVICES TO MEDICAID PATIENTS IN THE STATE OF HAWAII. MGH INCURRED COSTS IN EXCESS OF REIMBURSEMENT OF APPROXIMATELY \$1,929,556 DURING THE YEAR ENDED JUNE 30, 2011.

6.HEALTH PROFESSIONAL EDUCATION - MGH PROVIDES PROFESSIONAL EDUCATION OPPORTUNITIES TO HEALTH PROFESSIONALS ON THE ISLAND OF MOLOKA'I. THE COST OF PROVIDING THESE SERVICES FOR THE YEAR ENDED JUNE 30, 2011 WAS \$26,014.

ATTACHMENT 2990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

<u>NAME AND ADDRESS</u>	<u>DESCRIPTION OF SERVICES</u>	<u>COMPENSATION</u>
FANCHER, DONALD M.D. 148 KAWIKA PLACE HONOLULU, HI 96822	ER PHYSICIAN	101,923.
POWER, J.T. M.D. P.O. BOX 682 KAPA'A, HI 96755	ER PHYSICIAN	145,588.
TOTAL COMPENSATION		<u>247,511.</u>

ATTACHMENT 3

Name of the organization

MOLOKAI GENERAL HOSPITAL

Employer identification number

99-0251372

ATTACHMENT 3 (CONT'D)FORM 990, PART X - INVESTMENTS - PUBLICLY TRADED SECURITIES

<u>DESCRIPTION</u>	<u>BEGINNING BOOK VALUE</u>	<u>ENDING BOOK VALUE</u>
TEMPORARY INVESTMENTS	75,000.	3,060,233.
TOTALS	<u>75,000.</u>	<u>3,060,233.</u>

ATTACHMENT 4FORM 990, PART X - DEFERRED REVENUE

<u>DESCRIPTION</u>	<u>BEGINNING BOOK VALUE</u>	<u>ENDING BOOK VALUE</u>
DEFERRED INCOME - CURRENT	46,694.	8,712.
TOTALS	<u>46,694.</u>	<u>8,712.</u>

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

MOLOKAI GENERAL HOSPITAL

Employer identification number
99-0251372

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
(1) -----					
(2) -----					
(3) -----					
(4) -----					
(5) -----					
(6) -----					

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 entity?
(1) THE QUEEN'S HEALTH SYSTEMS (QHS) 1301 PUNCHBOWL STREET HONOLULU, HI 96813 99-0238120	ADMIN SERVICE	HI	501(C)(3)	11 TYPE I	N/A	X
(2) THE QUEEN'S MEDICAL CENTER 1301 PUNCHBOWL STREET HONOLULU, HI 96813 99-0073524	MEDICAL SVCS	HI	501(C)(3)	3	QHS	X
(3) QUEEN EMMA LAND COMPANY 1301 PUNCHBOWL STREET HONOLULU, HI 96813 99-0183769	SUPPORT SVCS	HI	501(C)(3)	11 TYPE II	QHS	X
(4) -----						
(5) -----						
(6) -----						
(7) -----						

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2010

JSA

13414A 1061

0E1307 1 000

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?	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?	(k) Percentage ownership
(1) HAWAIIAN PET 94-3266916 1301 PUNCHBOWL HON, HI 96813	PET IMAGING	HI	N/A				X			
(2) -----										
(3) -----										
(4) -----										
(5) -----										
(6) -----										
(7) -----										

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, HI 96813	DEVELOPMENT	HI	QHS	C CORP			
(2) QUEEN'S INSURANCE EXCHANGE, INC. 1301 PUNCHBOWL STREET HONOLULU, HI 96813	INSURANCE	HI	QHS	INSURANCE CORP			
(3) DIAGNOSTIC LABORATORY SERVICES, INC 99-859 IMAIWA STREET AIEA, HI 96701	MEDICAL LAB SVCS	HI	QDC	C CORP			
(4) -----							
(5) -----							
(6) -----							
(7) -----							

Schedule R (Form 990) 2010

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to 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 of this schedule.

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

	Yes	No
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity		X
b Gift, grant, or capital contribution to other organization(s)		X
c Gift, grant, or capital contribution from other organization(s)	X	
d Loans or loan guarantees to or for other organization(s)		X
e Loans or loan guarantees by other organization(s)		X
f Sale of assets to other organization(s)		X
g Purchase of assets from other organization(s)		X
h Exchange of assets		X
i Lease of facilities, equipment, or other assets to other organization(s)		X
j Lease of facilities, equipment, or other assets from other organization(s)		X
k Performance of services or membership or fundraising solicitations for other organization(s)		X
l Performance of services or membership or fundraising solicitations by other organization(s)		X
m Sharing of facilities, equipment, mailing lists, or other assets		X
n Sharing of paid employees		X
o Reimbursement paid to other organization for expenses		X
p Reimbursement paid by other organization for expenses	X	
q Other transfer of cash or property to other organization(s)		X
r Other transfer of cash or property from other organization(s)		X

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)	QUEEN EMMA LAND COMPANY	C	1,784,564.	FMV
(2)	THE QUEEN'S MEDICAL CENTER	O	648,371.	FMV
(3)	DIAGNOSTIC LABORATORY SERVICES, INC	O	551,884.	FMV
(4)	THE QUEEN'S HEALTH SYSTEMS	O	348,236.	FMV
(5)	THE QUEEN'S HEALTH SYSTEMS	P	28,264.	FMV
(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) Disproportionate 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
(1) _____										
(2) _____										
(3) _____										
(4) _____										
(5) _____										
(6) _____										
(7) _____										
(8) _____										
(9) _____										
(10) _____										
(11) _____										
(12) _____										
(13) _____										
(14) _____										
(15) _____										
(16) _____										

Schedule R (Form 990) 2010

Part VII Supplemental Information

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

The Queen's Health Systems and Subsidiaries

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

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Queen's Health Systems
Honolulu, Hawaii

We have audited the accompanying consolidated balance sheets of The Queen's Health Systems and subsidiaries (QHS) 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 QHS 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 audits 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 the QHS 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 consolidated 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 QHS 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.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis, and are not a required part of the basic consolidated financial statements. These supplemental schedules are the responsibility of QHS management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte + Touche LLP

October 7, 2011

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

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

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 68,461	\$ 89,094
Receivables — less allowances for uncollectible accounts of \$50,968 in 2011 and \$42,695 in 2010	86,617	94,784
Inventories	10,078	9,967
Investments — current	658,400	499,265
Assets whose use is limited or restricted — current	12,742	11,912
Deferred income tax asset — current	480	1,528
Prepaid expenses and other assets	9,572	8,849
Total current assets	846,350	715,399
INVESTMENTS — Less current portion	87,857	93,985
ASSETS WHOSE USE IS LIMITED OR RESTRICTED — Less current portion	19,794	20,723
LAND, BUILDINGS, AND EQUIPMENT — Net	523,902	533,517
GOODWILL	7,619	7,630
DEFERRED FINANCING FEES — Net	6,391	7,012
DEFERRED INCOME TAX ASSET — Less current portion	7,911	7,639
STRAIGHT-LINE RENTS RECEIVABLE	24,922	22,463
OTHER ASSETS	8,804	5,864
TOTAL	<u>\$ 1,533,550</u>	<u>\$ 1,414,232</u>

(Continued)

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2011 AND 2010

(In thousands)

	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued salaries and benefits	\$ 42,572	\$ 42,802
Accounts payable and other accrued liabilities	40,797	36,510
Other current liabilities	14,436	11,278
Due to government reimbursement programs — current	7,651	6,862
Long-term debt — current	<u>15,342</u>	<u>13,172</u>
Total current liabilities	120,798	110,624
DUE TO GOVERNMENT REIMBURSEMENT PROGRAMS — Less current portion	17,659	11,919
LONG-TERM DEBT — Less current portion	340,331	352,037
PENSION AND POSTRETIREMENT LIABILITIES	114,029	131,966
OTHER LONG-TERM LIABILITIES	<u>51,675</u>	<u>56,954</u>
Total liabilities	<u>644,492</u>	<u>663,500</u>
NET ASSETS:		
Unrestricted	876,724	736,366
Temporarily restricted	6,383	8,415
Permanently restricted	<u>5,951</u>	<u>5,951</u>
Total net assets	<u>889,058</u>	<u>750,732</u>
TOTAL	<u>\$ 1,533,550</u>	<u>\$ 1,414,232</u>

See notes to consolidated financial statements.

(Concluded)

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

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	\$ 699,282	\$ 690,421
Rental revenues	89,072	61,949
Other	32,804	33,770
Total unrestricted operating revenues	821,158	786,140
NET ASSETS RELEASED FROM RESTRICTIONS	4,930	3,469
Total operating revenues and other support	826,088	789,609
UNRESTRICTED OPERATING EXPENSES:		
Salaries, wages, and employee benefits	406,570	388,825
Supplies	127,107	124,826
Purchased services	75,223	58,909
Depreciation and amortization	51,060	47,499
Professional fees	33,869	32,415
Provision for bad debts	32,075	32,255
Rent and utilities	26,106	22,982
Taxes — other than income taxes	16,023	14,656
Interest	10,143	10,506
Other	27,629	26,404
Total unrestricted operating expenses	805,805	759,277
OPERATING INCOME	20,283	30,332
NONOPERATING INCOME (EXPENSE):		
Investment income — net	54,309	53,169
Income tax expense	(312)	(8,062)
Gain (loss) on interest rate swap	4,679	(8,098)
Gain on reversion of lessee-constructed improvements	-	145,638
Other expense	(4,257)	(3,566)
Total nonoperating income	54,419	179,081
EXCESS OF REVENUES OVER EXPENSES (Forward)	74,702	209,413

(Continued)

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

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)	\$ 74,702	\$ 209,413
OTHER CHANGES:		
Pension related changes other than net periodic pension cost	17,881	(12,064)
Net unrealized gains on investments	44,178	3,637
Net assets released from restrictions used for capital expenditures	3,045	556
Other changes — net	552	(38)
Total other changes	65,656	(7,909)
INCREASE IN UNRESTRICTED NET ASSETS	140,358	201,504
TEMPORARILY RESTRICTED NET ASSETS:		
Gifts and grants	4,851	3,196
Investment gains — net	1,216	676
Net assets released from restrictions used for operating expenses	(4,930)	(3,469)
Net assets released from restrictions used for capital expenditures	(3,045)	(556)
Other changes — net	(124)	127
Decrease in temporarily restricted net assets	(2,032)	(26)
PERMANENTLY RESTRICTED NET ASSETS — Restricted gifts	-	851
INCREASE IN NET ASSETS	138,326	202,329
NET ASSETS — Beginning of year	750,732	548,403
NET ASSETS — End of year	\$ 889,058	\$ 750,732

See notes to consolidated financial statements.

(Concluded)

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

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

	2011	2010
OPERATING ACTIVITIES:		
Increase in net assets	\$ 138,326	\$ 202,329
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(88,867)	(43,583)
(Gain) loss on interest rate swap	(4,679)	8,098
Depreciation and amortization	51,060	47,499
Restricted gifts	-	(851)
Provision for bad debts	32,075	32,255
Gain on reversion of lessee-constructed improvements	-	(145,638)
Loss on disposition of land, buildings, and equipment	155	470
Loss on investment in subsidiary	56	-
Pension related changes other than net periodic pension cost	(17,881)	12,064
Deferred income taxes	776	4,709
Changes in operating assets and liabilities:		
Receivables	(23,908)	(33,834)
Due to government reimbursement programs	6,529	8,913
Accounts payable and accrued salaries, benefits, and other liabilities	1,094	1,091
Other assets and liabilities	(1,456)	13,585
Net cash provided by operating activities	<u>93,280</u>	<u>107,107</u>
INVESTING ACTIVITIES:		
Purchases of investments and assets whose use is limited or restricted	(304,878)	(624,325)
Proceeds from sales of investments and assets whose use is limited or restricted	241,791	575,673
Purchases of land, buildings, and equipment	(36,354)	(39,659)
Proceeds from sales of land, buildings, and equipment	1,220	109
Other	(541)	(1,736)
Net cash used in investing activities	<u>(98,762)</u>	<u>(89,938)</u>
FINANCING ACTIVITIES:		
Restricted gifts	-	851
Repayment of long-term debt	(13,305)	(10,222)
Dividend distribution to minority interest holder	(1,400)	(600)
Payment of deferred financing costs	(446)	(197)
Net cash used in financing activities	<u>(15,151)</u>	<u>(10,168)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,633)	7,001
CASH AND CASH EQUIVALENTS — Beginning of year	<u>89,094</u>	<u>82,093</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 68,461</u>	<u>\$ 89,094</u>

(Continued)

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

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	<u>\$ 10,925</u>	<u>\$ 11,159</u>
Income taxes paid	<u>\$ 4,408</u>	<u>\$ 3,013</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of buildings and equipment included in accounts payable and other accrued liabilities at year-end	<u>\$ 5,862</u>	<u>\$ 3,377</u>
Debt and capital lease obligations assumed in exchange for equipment and leasehold improvements	<u>\$ 3,769</u>	<u>\$ 7</u>
See notes to consolidated financial statements.		(Concluded)

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (Dollars in thousands)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission — The Queen's Health Systems (the "Parent Company") is a tax-exempt support organization as described in Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code. The Parent Company's mission is to serve the health care needs of the citizens of the State of Hawaii. The Parent Company is the sole member of The Queen's Medical Center (QMC), Queen Emma Land Company (QEL), and Molokai General Hospital (MGH). The Parent Company is also the parent of Queen's Development Corporation (QDC) and Queen's Insurance Exchange, Inc. (QIE).

QMC operates a 505-bed acute care and 28-bed subacute care hospital located on the island of Oahu. MGH operates a 15-bed hospital on the island of Molokai. QMC and MGH provide services to patients, substantially all of whom are Hawaii residents, under unsecured credit terms. QDC owns and manages income-producing, health care-related real estate and is engaged in other health-related business activities. QEL owns land and buildings, most of which produce rental income. QIE is a Hawaii-domiciled, pure captive insurance company.

QMC, the Parent Company, 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.

Significant Accounting Policies:

Principles of Consolidation — These consolidated financial statements include the accounts of all entities for which the Parent Company is the sole member or stockholder (collectively, QHS) and conform with 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 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 — QHS 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. QHS 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 value.

Investments — Investments, including assets limited or restricted as to use, include money market funds, debt and equity securities, mutual funds, and common trust funds. 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. Investments also include limited liability entities (hedge funds, publicly traded equities, real estate investments, and private equities) 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. Management 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 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. QHS 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 by QHS 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 QHS have been reflected as current assets in the consolidated balance sheets as of June 30, 2011 and 2010.

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. Leasehold improvements are amortized using the straight-line method over the lesser of their estimated useful lives or the remaining term of the related leases. Development and interest costs are capitalized during the construction period of major capital projects.

Goodwill — Goodwill is not amortized and is tested for impairment on an annual basis as of April 30 of each year.

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.

Other Assets — Other assets include investments in affiliates. Investments in which QHS owns 20% or more and exercises influence, but which QHS does not control, are accounted for under the equity method. The carrying values of these investments were \$1,581 and \$1,499 at June 30, 2011 and 2010, respectively.

Long-Lived Assets — Long-lived assets held and used by QHS 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 — QHS 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. QHS 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.

Income Taxes — QDC and its subsidiary, DLS, file consolidated income tax returns. QIE files its federal tax return as a property/casualty insurer for federal income tax purposes. All other consolidated affiliates are not-for-profit organizations that are exempt from federal and state income taxes pursuant to Section 501(a) of the Internal Revenue Code and related Hawaii Revised Statutes. QHS, QEL, QMC, and MGH are subject to federal and state income taxes solely on their unrelated business taxable income. Unrelated business taxable income is not material to the consolidated financial statements. QHS evaluates its uncertain tax positions and has no material unrecognized tax benefits as of June 30, 2011.

Deferred tax assets and liabilities are recorded for differences between the financial statement and income tax bases for assets and liabilities. Deferred tax assets are reduced by a valuation allowance, if it is more likely than not that some portion or all of the net deferred tax assets will not be realized. A valuation allowance has been recorded to reduce certain future net deferred tax assets to the amount that will more likely than not be realized.

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 QHS 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 QHS 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	14	16

Government Reimbursement Programs — QHS 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 39% and 18% in 2011 and 38% and 15% 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 QHS 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 QHS 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 \$4,655 for the years ended June 30, 2011 and 2010, respectively. QHS has the ability to appeal the adjustments based on a process established by Medicare and Medicaid.

QHS recognized \$7,276 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. QHS 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 — QHS provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates. Because collection of amounts determined to qualify as charity care is not pursued, they are not reported as net patient service revenues.

QHS 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	\$ 6,533
Estimated costs and expenses incurred to provide charity care	2,444	2,705

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 as either 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.

Rental Revenues — QHS recognizes revenues when delivery has occurred, persuasive evidence of an agreement exists, the fee is fixed or determinable, and collectibility is reasonably assured. QHS (as lessor) has lease agreements that provide for scheduled rent increases over the terms of certain leases. For such leases, rental income is recognized on a straight-line basis over the term of the leases. The difference between the straight-line amount and the amount in the lease agreement is recorded as straight-line rents receivable. Also included in rental revenues are certain percentage rents determined in accordance with the terms of the lease. Rental revenues arising from tenant rents that are contingent upon the tenant sales exceeding a defined threshold are recognized only after the contingency has been resolved (e.g., sales thresholds have been achieved).

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	\$ 567,098	\$ 545,201
Real property investment and management	54,864	39,271
Other health care-related activities	81,957	80,849
Administrative and general	<u>101,886</u>	<u>93,956</u>
Total	<u>\$ 805,805</u>	<u>\$ 759,277</u>

Performance Indicator — The QHS performance indicator is the excess of revenues over expenses. The indicator excludes 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 QHS 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, *Fair Value Measurements and Disclosures (Topic 820). 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, *Health Care 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 ASU 2010-23 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 QHS to present its allowance for doubtful accounts related to patient service revenue as a deduction from revenue, similar to contractual discounts. Accordingly, QHS'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 QHS 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.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles — Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (ASU 2011-08). The amendments in this update will allow QHS to first assess factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, QHS would not be required to calculate the fair value of a reporting unit unless it determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for QHS to consider in conducting the qualitative assessment. The provisions of ASU 2011-08 are effective for fiscal years beginning after December 15, 2011. Management is evaluating the effect that his guidance will have on the consolidated financial statements.

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

Investments including assets whose use is limited or restricted at June 30, 2011 and 2010, were as follows:

	2011	2010
Investments at fair value:		
Money market funds	\$ 57,860	\$ 52,645
U.S. Government obligations and corporate debt securities	6,205	25,150
Equity securities	68,410	52,572
Mutual funds	456,747	314,063
Common trust funds	<u>20,590</u>	<u>15,502</u>
Total investments at fair value	<u>609,812</u>	<u>459,932</u>
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	<u>14,024</u>	<u>11,573</u>
Total investments using equity method	<u>168,981</u>	<u>165,953</u>
Total investments and assets whose use is limited or restricted	<u>\$ 778,793</u>	<u>\$ 625,885</u>

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 may 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.

The classification of investments in the consolidated balance sheets as of June 30, 2011 and 2010, was as follows:

	2011	2010
Total investments	\$ 778,793	\$ 625,885
Less assets whose use is limited or restricted	<u>(32,536)</u>	<u>(32,635)</u>
Total unrestricted investments	746,257	593,250
Less current portion	<u>(658,400)</u>	<u>(499,265)</u>
Noncurrent portion	<u>\$ 87,857</u>	<u>\$ 93,985</u>

QHS maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The 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 the 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 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 fair value of the QHS financial assets as of June 30, 2011 and 2010, according to the valuation techniques QHS used to determine their fair values:

Assets	Fair Value Measurements at June 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents — money market funds	<u>\$ 8,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,312</u>
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	<u>78</u>	<u>-</u>	<u>-</u>	<u>78</u>
Total trading securities	<u>71,808</u>	<u>35,670</u>	<u>-</u>	<u>107,478</u>
Other-than-trading securities:				
Money market funds	24,593	-	-	24,593
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
U.S. Government obligations and corporate debt securities	-	404	-	404
Common trust funds	<u>-</u>	<u>20,590</u>	<u>-</u>	<u>20,590</u>
Total other-than-trading securities	<u>481,340</u>	<u>20,994</u>	<u>-</u>	<u>502,334</u>
Total investments and assets whose use is limited or restricted	<u>\$ 553,148</u>	<u>\$ 56,664</u>	<u>\$ -</u>	<u>\$ 609,812</u>
Liabilities				
Other long-term liabilities — interest rate swap liabilities	<u>\$ -</u>	<u>\$ 23,325</u>	<u>\$ -</u>	<u>\$ 23,325</u>

Assets	Fair Value Measurements at June 30, 2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents — money market funds	<u>\$ 13,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,978</u>
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	32,169	-	-	32,169
Domestic mid-cap	19,385	-	-	19,385
Global	<u>1,018</u>	<u>-</u>	<u>-</u>	<u>1,018</u>
Total trading securities	<u>59,666</u>	<u>46,387</u>	<u>-</u>	<u>106,053</u>
Other-than-trading securities:				
Money market funds	2,525	13,887	-	16,412
Mutual funds:				
Fixed income	103,889	-	-	103,889
Global equities	90,952	-	-	90,952
Mid-cap	18,278	-	-	18,278
Real return	52,887	-	-	52,887
Tactical	48,057	-	-	48,057
U.S. Government obligations and corporate debt securities	-	7,902	-	7,902
Common trust funds	<u>-</u>	<u>15,502</u>	<u>-</u>	<u>15,502</u>
Total other-than-trading securities	<u>316,588</u>	<u>37,291</u>	<u>-</u>	<u>353,879</u>
Total investments and assets whose use is limited or restricted	<u>\$ 376,254</u>	<u>\$ 83,678</u>	<u>\$ -</u>	<u>\$ 459,932</u>
Liabilities				
Other long-term liabilities — interest rate swap liabilities	<u>\$ -</u>	<u>\$ 28,004</u>	<u>\$ -</u>	<u>\$ 28,004</u>

There were no reclassifications between level 1 and level 2 investments in 2011 and 2010.

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 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 debt securities as level 2.

Equity Securities — This category includes investments in 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 were based on quoted market prices.

Mutual Funds — This category includes investments in real estate, inflation-protected bonds, global equities, and commodities. The estimated fair values 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 ability of QHS 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 values of 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. QHS 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 and assets whose use is limited or restricted 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	\$ 24,593	\$ -	\$ -	\$ 24,593
Mutual funds	414,744	42,003	-	456,747
U.S. Government obligations and corporate debt securities	404	-	-	404
Common trust funds	<u>19,875</u>	<u>715</u>	<u>-</u>	<u>20,590</u>
Total investments	<u>\$ 459,616</u>	<u>\$ 42,718</u>	<u>\$ -</u>	<u>\$ 502,334</u>
2010				
Money market funds	\$ 16,412	\$ -	\$ -	\$ 16,412
Mutual funds	309,852	10,219	(6,008)	314,063
U.S. Government obligations and corporate debt securities	7,902	-	-	7,902
Common trust funds	<u>15,407</u>	<u>95</u>	<u>-</u>	<u>15,502</u>
Total investments	<u>\$ 349,573</u>	<u>\$ 10,314</u>	<u>\$ (6,008)</u>	<u>\$ 353,879</u>

The total return on the investment portfolios for the years ended June 30, 2011 and 2010, was comprised of the following:

	2011	2010
Total investment income — net:		
Interest and dividend income	\$ 10,857	\$ 10,189
Realized gains — net of expenses	11,229	53,995
Unrealized gains (losses) on trading securities	11,302	(27,423)
Equity in earnings of limited liability entities	<u>20,921</u>	<u>16,408</u>
Total unrestricted investment income — net	<u>\$ 54,309</u>	<u>\$ 53,169</u>
Other changes in unrestricted net assets — net unrealized gain on unrestricted investments	<u>\$ 44,178</u>	<u>\$ 3,637</u>
Other changes in temporarily restricted net assets:		
Investment (losses) gains	\$ (21)	\$ 877
Net unrealized gains (losses) on investments	<u>1,237</u>	<u>(201)</u>
Total temporarily restricted investment gain — net	<u>\$ 1,216</u>	<u>\$ 676</u>

Gross proceeds from sales of other-than-trading investments for the years ended June 30, 2011 and 2010, were \$7,509 and \$26,361, respectively, resulting in no significant gross realized gains or losses. QHS uses the average cost method to determine the cost basis for securities sold.

Assets whose use is limited or restricted at June 30, 2011 and 2010, consisted of the following:

	2011	2010
Cash and cash equivalents	\$ 14,737	\$ 16,337
Investments	<u>17,799</u>	<u>16,298</u>
Total assets whose use is limited or restricted	32,536	32,635
Less current portion	<u>(12,742)</u>	<u>(11,912)</u>
Noncurrent portion	<u>\$ 19,794</u>	<u>\$ 20,723</u>

3. LAND, BUILDINGS, AND EQUIPMENT

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

	2011	2010
Land and land improvements	\$ 75,903	\$ 79,747
Buildings and leasehold improvements	497,883	477,447
Equipment and furnishings	436,035	426,881
Equipment under capital leases	8,070	6,557
Construction in progress	<u>19,023</u>	<u>20,818</u>
Total	1,036,914	1,011,450
Less accumulated depreciation and amortization	<u>(513,012)</u>	<u>(477,933)</u>
Land, buildings, and equipment — net	<u>\$ 523,902</u>	<u>\$ 533,517</u>

Depreciation expense was \$50,371 and \$45,623 for the years ended June 30, 2011 and 2010, respectively.

QEL is the owner of several acres of land in the Waikiki district on the island of Oahu. Much of the land is encumbered by long-term ground leases, several of which had 55-year leases executed in 1955 that expired on March 31, 2010. Pursuant to the terms of the leases, the lessees surrendered all buildings and other improvements on the property on the expiration dates. The fair value of the lessee-constructed improvements that reverted to QEL was estimated via a cost approach adjusted for depreciation and totaled \$145,638, which was recorded as nonoperating income during the year ended June 30, 2010.

Upon taking ownership of the improvements, QEL negotiated new lease agreements for all properties except for one, where QEL entered into a short-term management agreement with an operator to help manage the day-to-day activities.

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
Commercial paper	75,130	75,130
Capital lease and other obligations	<u>6,213</u>	<u>3,859</u>
Total	355,673	365,209
Less current portion	<u>(15,342)</u>	<u>(13,172)</u>
Total noncurrent portion	<u>\$ 340,331</u>	<u>\$ 352,037</u>

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 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, 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 Series 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 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, QHS experienced failed auctions related to its auction rate securities. In the event of a failed auction, QHS 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. The Obligated Group is jointly and severally liable for this debt. 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.

QHS has equipment leases that are accounted for as capital leases. The cost of such equipment was \$8,070 and \$6,557, and accumulated depreciation was \$2,127 and \$1,564, at June 30, 2011 and 2010, respectively.

QHS incurred total interest costs of \$10,280 and \$10,896 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	<u>282,475</u>	<u>-</u>	<u>-</u>	<u>282,475</u>
Total	<u>\$349,460</u>	<u>\$6,565</u>	<u>\$ (352)</u>	<u>\$355,673</u>

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

At June 30, 2011, QHS had a line of credit of \$7,500, of which \$1,000 supports a standby letter of credit related to QHS's self-insured workers' compensation program. The line of credit expires on June 30, 2012 and there were no outstanding borrowings under this agreement as of June 30, 2011.

5. SELF-INSURANCE PROGRAMS

General and Professional Liability Reserve — QHS maintains a funded self-insurance program for its general and professional liability exposure. This self-insured program is funded through QIE. Premiums are determined based on the QHS loss experience, as well as insurance industry data.

QHS recorded a reserve for losses and loss adjustment expenses for the estimated reported and unreported losses incurred through June 30, 2011 and 2010. The reserve for unpaid losses and loss adjustment expenses was determined by QHS using estimates from independent consulting actuaries, based on industry and hospital-specific data. The general and professional liability reserve was \$12,451 and \$12,617 at June 30, 2011 and 2010, respectively, and was recorded in other long-term liabilities at June 30, 2011 and 2010.

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.

Workers' Compensation Reserve — QHS is self-insured for workers' compensation losses up to \$400 per occurrence. Losses above this amount are insured with an independent excess carrier. QHS had workers' compensation reserves of \$3,135 and \$3,395 at June 30, 2011 and 2010, respectively, which were discounted at a rate of 5.65% and 6.5% as of June 30, 2011 and 2010. The workers' compensation reserves were recorded in other current liabilities at June 30, 2011 and 2010.

Medical Reserve — QHS has a self-funded medical benefits plan covering substantially all of its employees. The medical reserve was \$3,582 and \$2,748 at June 30, 2011 and 2010, respectively, and was included in other current liabilities at June 30, 2011 and 2010.

6. NET ASSETS

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

	2011	2010
Education and research	\$ 3,932	\$ 3,342
Facility replacement and expansion	323	1,660
Indigent care and other	<u>2,128</u>	<u>3,413</u>
Total	<u>\$ 6,383</u>	<u>\$ 8,415</u>

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	<u>830</u>	<u>830</u>
Total	<u>\$ 5,951</u>	<u>\$ 5,951</u>

In accordance with the Uniform Prudent Management Institutional Funds Act (UPMIFA), QHS considers only permanently restricted net assets as donor-restricted endowment funds. In accordance with UPMIFA and when applicable, QHS 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 QHS 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 QHS, and g) the investment policies of QHS. During 2010, QHS received \$851 in contributions. 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 QHS to retain as a fund of perpetual duration. Unfavorable market fluctuations resulted in investment deficiencies of \$363 as of June 30, 2010.

7. EMPLOYEE BENEFIT PLANS

Eligible employees of QHS 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.

QHS has 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.

Certain executives also participate in a nonqualified, unfunded pension plan. At June 30, 2011 and 2010, the benefit liability related to this plan was \$1,029 and \$911, respectively. Benefit expense related to this plan was \$126 and \$133 for the years ended June 30, 2011 and 2010, respectively.

Certain key executives are also covered by a nonqualified, unfunded supplemental executive retirement plan. At June 30, 2011 and 2010, the benefit liability related to this plan was \$6,252 and \$6,030, respectively. Benefit expense related to this plan was \$524 and \$533 for the years ended June 30, 2011 and 2010, respectively.

The changes in benefit obligations, changes in plan assets, and funded status of the pension and postretirement plans with the amounts recognized in the consolidated balance sheets as of June 30, 2011 and 2010, were as follows:

	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	<u>(9,929)</u>	<u>(9,436)</u>	<u>(538)</u>	<u>(523)</u>
Benefit obligation — end of year	<u>287,126</u>	<u>266,681</u>	<u>27,712</u>	<u>25,926</u>
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	<u>(9,929)</u>	<u>(9,436)</u>	<u>(538)</u>	<u>(523)</u>
Fair value of plan assets — end of year	<u>206,974</u>	<u>165,110</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (80,152)</u>	<u>\$ (101,571)</u>	<u>\$ (27,712)</u>	<u>\$ (25,926)</u>
Amounts recognized in the balance sheets consisted of:				
Other current liabilities	\$ -	\$ -	\$ (771)	\$ (702)
Pension and other postretirement benefits	<u>(80,152)</u>	<u>(101,571)</u>	<u>(26,941)</u>	<u>(25,224)</u>
Net amounts recognized	<u>\$ (80,152)</u>	<u>\$ (101,571)</u>	<u>\$ (27,712)</u>	<u>\$ (25,926)</u>

Amounts recognized in unrestricted net assets at June 30, 2011 and 2010, 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	<u>83,680</u>	<u>102,246</u>	<u>2,952</u>	<u>2,937</u>
Total	<u>\$ 83,619</u>	<u>\$ 102,079</u>	<u>\$ 5,391</u>	<u>\$ 5,891</u>

Amounts recognized in unrestricted net assets 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	<u>5,644</u>	<u>14</u>
Total	<u>\$ 5,538</u>	<u>\$ 529</u>

Components of net periodic pension cost and amounts recognized in other changes in unrestricted net assets, 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	<u>7,612</u>	<u>7,191</u>	<u>43</u>	<u>-</u>
Net periodic pension costs	<u>\$ 19,208</u>	<u>\$ 18,520</u>	<u>\$ 2,824</u>	<u>\$ 2,670</u>
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	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Total recognized in other changes in unrestricted net assets	<u>\$ (18,459)</u>	<u>\$ 11,443</u>	<u>\$ (500)</u>	<u>\$ 1,219</u>

Weighted-average assumptions used to determine the benefit obligation 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

QHS has 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. The QHS expense relating to the above Retirement Plans was approximately \$9,231 and \$8,731 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	<u>5.5</u>	<u>6.0</u>
Total		<u>100.0 %</u>	<u>100.0 %</u>

- (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	<u>-</u>	<u>4,847</u>	<u>42,548</u>	<u>47,395</u>
Total	<u>\$ 159,510</u>	<u>\$ 4,916</u>	<u>\$ 42,548</u>	<u>\$ 206,974</u>

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	<u>(5,314)</u>
Ending balance — June 30, 2011	<u>\$ 42,548</u>

8. INCOME TAXES

QIE, QDC, and DLS are subject to federal and state income taxes. At June 30, 2011, these companies had operating loss carryforwards for income tax purposes of approximately \$18,659 that expire through 2031. At June 30, 2011, QHS had net operating loss carryforwards of \$3,557 related to its unrelated business income. The net operating loss carryforwards expire through 2031.

The components of income tax expense for the years ended June 30, 2011 and 2010, were as follows:

	2011	2010
Current income tax (benefit) expense	\$ (464)	\$ 3,353
Deferred income tax expense	<u>776</u>	<u>4,709</u>
Total	<u>\$ 312</u>	<u>\$ 8,062</u>

For the years ended June 30, 2011 and 2010, the effective tax rate differed from the statutory rate primarily due to tax credits and changes in the valuation allowance in deferred tax assets for QIE and a valuation allowance established for net operating losses of QDC.

At June 30, 2011 and 2010, deferred income tax assets and liabilities resulted principally from operating loss carryforwards and from temporary differences for fixed assets, intangible assets, allowance for uncollectible accounts, pension costs, and accrued vacation. Deferred income tax assets and liabilities as of June 30, 2011 and 2010, were as follows:

	2011	2010
Deferred income tax assets	\$ 16,278	\$ 16,221
Deferred income tax liabilities	<u>(337)</u>	<u>(251)</u>
	15,941	15,970
Less valuation allowance	<u>(7,550)</u>	<u>(6,803)</u>
	8,391	9,167
Less current	<u>(480)</u>	<u>(1,528)</u>
Noncurrent	<u>\$ 7,911</u>	<u>\$ 7,639</u>

Deferred income tax assets must be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

9. OPERATING LEASES

As Lessor — Rental revenues are received from operating leases. The lease terms range from monthly tenancy to 39 remaining years and provide for periodic rent escalation and renegotiation, reimbursement of certain operating costs, and contingent rents based on the lessee's sales or production. Contingent rents of \$2,376 and \$2,402 were recognized in 2011 and 2010, respectively.

Office space in buildings owned by QHS is leased to physicians and other tenants under operating leases. Lease rent under most of these leases includes the basic rent with periodic rent escalation and reimbursement of certain building operating costs. Approximately 7% of the leases in physicians' office buildings are nontransferable and generally have terms for the duration of the physicians' practice. The lease terms provide for a fixed rent, plus reimbursement of certain operating costs. The remaining leases in the physicians' office buildings are for a four-year period renewable at the physicians' option for two additional periods of four years each. QHS also maintains operating leases for land and leasehold interests. At June 30, 2011 and 2010, the basis for land, leasehold interests, and buildings under operating leases was approximately \$216,564 and \$244,253, respectively, and the related accumulated depreciation was approximately \$53,924 and \$46,808, respectively.

Future minimum rental income under noncancelable operating leases at June 30, 2011, is as follows:

**Years Ending
June 30**

2012	\$ 45,153
2013	43,380
2014	38,627
2015	32,793
2016	23,258
Thereafter	<u>472,243</u>
Total	<u>\$ 655,454</u>

As Lessee — QHS leases office space, land, and equipment under operating leases expiring through 2042. Future minimum lease payments under noncancelable operating leases at June 30, 2011, are as follows:

**Years Ending
June 30**

2012	\$ 3,384
2013	2,417
2014	1,678
2015	1,330
2016	939
Thereafter	<u>4,554</u>
Total	<u>\$ 14,302</u>

QHS also pays additional amounts for common area maintenance charges, real property taxes, and certain building operating costs. Rent expense during 2011 and 2010 under these leases was approximately \$4,221 and \$5,277, respectively.

10. 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 certain affiliates, as well as providing QHS 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 to expire on November 30, 2012. Total expenses under the contract in 2011 and 2010 were \$10,227 and \$9,594, 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	\$ 10,538
2013	<u>4,391</u>
Total	<u>\$ 14,929</u>

11. COMMITMENTS AND CONTINGENCIES

At June 30, 2011, there were several legal actions pending against QHS 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 (see Note 5).

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 the university's Department of Native Hawaiian Health. QHS will participate in the funding of research, medical education, and community engagement initiatives. The total commitment is \$2,186 with a term ending in June 2015.

At June 30, 2011, QHS had commitments for facilities construction and equipment purchases for approximately \$20,147. 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.

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. MGH has collective bargaining agreements with the Hawaii Nurses Association and the United Public Workers that expire in December 2011 and May 2012, respectively.

In 2010, QEL entered into a five-year management agreement at one of its investment properties to help manage the day-to-day activities. Management fees under this agreement amount to 3% of the property's gross revenues and 7% of its gross operating profit, provided that the sum of the two shall not exceed 5% of gross revenues in a fiscal year.

* * * * *

SUPPLEMENTAL SCHEDULES

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET INFORMATION

AS OF JUNE 30, 2011

(In thousands)

ASSETS	Parent Company	The Queen's Medical Center and Subsidiary	Queen's Development Corporation and Subsidiaries	Queen Emma Land Company	Molokai General Hospital	Queen's Insurance Exchange	Eliminations	Consolidated
CURRENT ASSETS:								
Cash and cash equivalents	\$ 2,223	\$ 24,444	\$ 13,511	\$ 13,849	\$ 3,197	\$ 11,237	\$ -	\$ 68,461
Receivables — net	389	71,296	9,614	1,724	911	1,246	1,437	86,617
Due from affiliates	8,830	598	945	-	-	8,197	(18,570)	-
Inventories	-	8,238	1,730	-	110	-	-	10,078
Investments — current	43,855	459,866	-	151,791	2,709	179	-	658,400
Assets whose use is limited or restricted — current	-	12,742	-	-	-	-	-	12,742
Deferred income tax asset — current	-	-	480	-	-	-	-	480
Prepaid expenses and other assets	109	9,074	1,652	840	78	1,242	(3,423)	9,572
Total current assets	55,406	586,258	27,932	168,204	7,005	22,101	(20,556)	846,350
INVESTMENTS — Less current portion	5,854	61,388	-	20,263	352	-	-	87,857
ASSETS WHOSE USE IS LIMITED OR RESTRICTED — Less current portion	-	19,794	-	-	-	-	-	19,794
LAND, BUILDINGS, AND EQUIPMENT — Net	2,239	238,869	66,813	202,543	13,421	5	12	523,902
GOODWILL	-	-	7,619	-	-	-	-	7,619
DEFERRED FINANCING FEES — Net	5	6,386	-	-	-	-	-	6,391
DEFERRED INCOME TAX ASSET — Less current portion	-	-	7,911	-	-	-	-	7,911
STRAIGHT-LINE RENTS RECEIVABLE	-	-	-	24,922	-	-	-	24,922
INVESTMENT IN AFFILIATES (1)	2,908	-	-	-	-	-	(2,908)	-
OTHER ASSETS	4,294	1,481	631	2,398	-	-	-	8,804
TOTAL	\$ 70,706	\$ 914,176	\$ 110,906	\$ 418,330	\$ 20,778	\$ 22,106	\$ (23,452)	\$ 1,533,550

(Continued)

(1) Investments in subsidiaries are carried at cost.

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET INFORMATION AS OF JUNE 30, 2011 (In thousands)

	Parent Company	The Queen's Medical Center and Subsidiary	Queen's Development Corporation and Subsidiaries	Queen Emma Land Company	Molokai General Hospital	Queen's Insurance Exchange	Eliminations	Consolidated
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES.								
Accrued salaries and benefits	\$ 2,529	\$ 34,749	\$ 4,355	\$ 319	\$ 620	\$ -	\$ -	\$ 42,572
Accounts payable and other accrued liabilities	881	36,679	2,091	932	194	27	(7)	40,797
Other current liabilities	7,044	-	-	6,191	-	3,423	(2,222)	14,436
Due to government reimbursement programs — current	-	6,769	-	-	882	-	-	7,651
Long-term debt — current	-	15,342	-	-	-	-	-	15,342
Due to affiliates	4,955	6,899	2,255	1,061	369	-	(15,539)	-
Total current liabilities	15,409	100,438	8,701	8,503	2,065	3,450	(17,768)	120,798
DUE TO AFFILIATES	-	-	-	1,601	-	-	(1,601)	-
DUE TO GOVERNMENT REIMBURSEMENT PROGRAMS — Less current portion	-	17,659	-	-	-	-	-	17,659
LONG-TERM DEBT — Less current portion (1)	2,941	283,580	53,810	-	-	-	-	340,331
PENSION AND POSTRETIREMENT LIABILITIES	8,989	95,688	9,431	502	620	-	(1,201)	114,029
OTHER LONG-TERM LIABILITIES	2,006	29,342	5,039	2,293	-	12,995	-	51,675
Total liabilities	29,345	526,707	76,981	12,899	2,685	16,445	(20,570)	644,492
NET ASSETS								
Unrestricted (2)	41,361	368,637	33,925	405,431	18,093	5,661	3,616	876,724
Temporarily restricted	-	12,881	-	-	-	-	(6,498)	6,383
Permanently restricted	-	5,951	-	-	-	-	-	5,951
Total net assets	41,361	387,469	33,925	405,431	18,093	5,661	(2,882)	889,058
TOTAL	<u>\$ 70,706</u>	<u>\$ 914,176</u>	<u>\$ 110,906</u>	<u>\$ 418,330</u>	<u>\$ 20,778</u>	<u>\$ 22,106</u>	<u>\$ (23,452)</u>	<u>\$ 1,533,550</u>

(1) The Obligated Group commercial paper is joint and several for the Obligated Group members, however, the balance sheets of the individual entities only include their allocated portions

(2) Investments in subsidiaries are carried at cost

(Concluded)

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION FOR THE YEAR ENDED JUNE 30, 2011 (In thousands)

	Parent Company	The Queen's Medical Center and Subsidiary	Queen's Development Corporation and Subsidiaries	Queen Emma Land Company	Molokai General Hospital	Queen's Insurance Exchange	Eliminations	Consolidated
UNRESTRICTED OPERATING REVENUES.								
Net patient service revenues	\$ -	\$ 622,478	\$ 69,433	\$ -	\$ 7,371	\$ -	\$ -	\$ 699,282
Rental revenues	-	-	12,543	76,350	179	-	-	89,072
Other	20,578	23,015	27,832	1,136	2,724	5,051	(47,532)	32,804
Total unrestricted operating revenues	20,578	645,493	109,808	77,486	10,274	5,051	(47,532)	821,158
NET ASSETS RELEASED FROM RESTRICTIONS								
Total operating revenues and other support	-	12,683	-	82	-	-	(7,835)	4,930
	20,578	658,176	109,808	77,568	10,274	5,051	(55,367)	826,088
UNRESTRICTED OPERATING EXPENSES:								
Salaries, wages, and employee benefits	14,249	339,011	45,842	1,699	5,769	-	-	406,570
Supplies	52	105,229	21,182	147	497	-	-	127,107
Purchased services	874	51,382	8,327	13,951	686	3	-	75,223
Depreciation and amortization	838	35,996	5,900	7,170	1,155	1	-	51,060
Professional fees	2,316	25,942	2,559	1,954	911	187	-	33,869
Provision for bad debts	-	30,096	1,375	97	507	-	-	32,075
Rent and utilities	511	15,318	5,494	4,267	477	39	-	26,106
Taxes --- other than income taxes	18	-	5,507	10,438	31	29	-	16,023
Interest	12	9,903	228	-	-	-	-	10,143
Other	2,009	52,740	12,233	4,568	2,136	1,624	(47,681)	27,629
Total unrestricted operating expenses	20,879	665,617	108,647	44,291	12,169	1,883	(47,681)	805,805
OPERATING INCOME (LOSS) (Forward)	(301)	(7,441)	1,161	33,277	(1,895)	3,168	(7,686)	20,283

(Continued)

THE QUEEN'S HEALTH SYSTEMS AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011

(In thousands)

	Parent Company	The Queen's Medical Center and Subsidiary	Queen's Development Corporation and Subsidiaries	Queen Emma Land Company	Molokai General Hospital	Queen's Insurance Exchange	Eliminations	Consolidated
OPERATING INCOME (LOSS) (Forwarded)	\$ (301)	\$ (7,441)	\$ 1,161	\$ 33,277	\$ (1,895)	\$ 3,168	\$ (7,686)	\$ 20,283
NONOPERATING INCOME (EXPENSE).								
Investment income — net	3,610	36,696	27	12,944	19	57	956	54,309
Income tax (expense) benefit	-	-	758	-	-	(1,070)	-	(312)
Gain on interest rate swap	-	4,679	-	-	-	-	-	4,679
Other (expense) income (1)	(3)	(1,209)	(1,655)	(1,040)	1	-	(351)	(4,257)
Total nonoperating income (expense)	3,607	40,166	(870)	11,904	20	(1,013)	605	54,419
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 3,306	\$ 32,725	\$ 291	\$ 45,181	\$ (1,875)	\$ 2,155	\$ (7,081)	\$ 74,702

(1) Investments in subsidiaries are carried at cost

(Concluded)